

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

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2022
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____
OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

UBS Group AG

Commission file number: 1-36764

UBS AG

Commission file number: 1-15060

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

Switzerland

(Jurisdiction of Incorporation or Organization)

UBS Group AG

Bahnhofstrasse 45, CH-8001 Zurich, Switzerland
(Address of Principal Executive Office)

UBS AG

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

David Kelly

600 Washington Boulevard
Stamford, CT 06901
Telephone: (203) 719 3000

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
Please see page 3.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
Please see page 3.

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

Indicate the number of outstanding shares of each of each issuer's classes of capital or common stock as of 31 December 2022:

UBS Group AG
 Ordinary shares, par value CHF 0.10 per share:
 3,524,635,722 ordinary shares
 (including 416,909,010 treasury shares)

UBS AG
 Ordinary shares, par value CHF 0.10 per share:
 3,858,408,466 ordinary shares
 (none of which are treasury shares)

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

UBS Group AG
 Yes No

UBS AG
 Yes No

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

Yes No

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

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

Yes No

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

Yes No

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

Large accelerated filer

UBS Group AG
 Accelerated filer

Non-accelerated filer
 Emerging growth company

Large accelerated filer

UBS AG
 Accelerated filer

Non-accelerated filer
 Emerging growth company

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

UBS Group AG
 Yes No

UBS AG
 Yes No

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

UBS Group AG
 Yes No

UBS AG
 Yes No

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

U.S. GAAP

International Financial Reporting Standards
 as issued by the International Accounting
 Standards Board

Other

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

Item 17

Item 18

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

Yes

No

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

UBS Group AG

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

UBS AG

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

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

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Cautionary Statement: Refer to the *Cautionary Statement Regarding Forward-Looking Statements* section in the Annual Report 2022 (page 516).

Cross-reference table

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

- **Annual Report** refers to the Annual Report 2022 of UBS Group AG and UBS AG annexed hereto, which forms an integral part hereof.
- **Supplement** refers to certain supplemental information contained in this forepart of the Form 20-F, starting on page 11 following the cross-reference table.
- **Financial Statements** refers to the consolidated financial statements of either UBS Group AG or UBS AG, or both, depending upon the context, contained in the Annual Report.

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

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

| Form 20-F item | Response or location in this filing |
|---|---|
| Item 1. Identity of Directors, Senior Management and Advisors. | Not applicable. |
| Item 2. Offer Statistics and Expected Timetable. | Not applicable. |
| Item 3. Key Information | |
| B – Capitalization and Indebtedness. | Not applicable. |
| C – Reasons for the Offer and Use of Proceeds. | Not applicable. |
| D – Risk Factors. | Annual Report, <i>Risk factors</i> (56-66). |
| Item 4. Information on the Company. | |
| A – History and Development of the Company | 1-3: Annual Report, <i>Corporate information and Contacts</i> (6). The registrants' agent is David Kelly, 600 Washington Boulevard, Stamford, CT 06901. 4: Annual Report, <i>Our evolution</i> (14); <i>Our strategy</i> (15-17); <i>Our businesses</i> (18-28); Note 29 to each set of Financial Statements (<i>Changes in organization and acquisitions and disposals of subsidiaries and businesses</i>) (354 and 475) 5-6: Annual Report, <i>Our businesses</i> (18-28), as applicable, Note 11 to each set of Financial Statements (<i>Property, equipment and software</i>) (291 and 410) and Note 29 to each set of Financial Statements (<i>Changes in organization and acquisitions and disposals of subsidiaries and businesses</i>) (354 and 475). 7: Nothing to disclose. 8: Annual Report, <i>Information sources</i> (515). |
| B – Business Overview. | 1, 2 and 5: Annual Report, <i>Our strategy, business model and environment</i> (15-66), Note 2a to each set of Financial Statements (<i>Segment reporting</i>) (277-278 and 396-397) and Note 2b to each set of Financial Statements (<i>Segment reporting by geographic location</i>) (279 and 398). See also Supplement (11). 3: Annual Report, <i>Seasonal characteristics</i> (72). 4: Not applicable. 6: None. 7: Information as to the basis for these statements normally accompanies the statements, except where marked in the report as a statement based upon publicly available information or internal estimates, as applicable. Annual Report, <i>Our businesses</i> (18-28), as applicable. 8: Annual Report, <i>Regulation and supervision</i> (50-53) and <i>Regulatory and legal developments</i> (53-55). Supplement (12). |
| C – Organizational Structure. | Annual Report, <i>Our evolution</i> (14) and Note 28 to each set of Financial Statements (<i>Interests in subsidiaries and other entities</i>) (350-354 and 471-475). |

| | |
|--|--|
| D – Property, Plant and Equipment. | Annual Report, <i>Property, plant and equipment</i> (495 and 503), Note 1a, 7) to each set of Financial Statements (<i>Summary of material accounting policies: Property, equipment and software</i>) (274 and 393), Note 11 to each set of Financial Statements (<i>Property, equipment and software</i>) (291 and 410). |
| Information required by SEC Regulation S-K Part 1400 | Annual Report, <i>Information required under SEC regulation S-K: Subpart 1400</i> (496-501 and 504-509), <i>Loss history statistics</i> (110), and Note 9 to each set of Financial Statements (<i>Financial assets at amortized cost and other positions in scope of expected credit loss measurement</i>) (285-289 and 404-408). |
| Item 4A. Unresolved Staff Comments. | None. |
| Item 5. Operating and Financial Review and Prospects. | |
| A – Operating Results. | <p>1: Annual Report, <i>Our key figures</i> (8), <i>UBS AG consolidated key figures</i> (362), <i>Targets, aspirations and capital guidance</i> (17), <i>Our businesses</i> (18-28), <i>Group performance</i> (68-73), financial and operating performance by business division and Group Functions (74-81), <i>Income statement</i> (251 and 371), Note 2a to each set of Financial Statements (<i>Segment reporting</i>) (277-278 and 396-397), and <i>Selected financial data</i> (494-495 and 502-503).</p> <p>2: Not applicable</p> <p>3: Annual Report, <i>Risk factors</i> (56-66), <i>Capital management</i> (135-149), <i>Currency Management</i> (159-160) and Note 25 to each set of Financial Statements (<i>Hedge Accounting</i>) (337-340 and 456-459).</p> <p>4: Annual Report, <i>Our environment</i> (28-32), <i>Regulation and supervision</i> (50-53), <i>Regulatory and legal developments</i> (53-55), <i>Accounting and financial reporting</i> (67), Note 1b to each set of Financial Statements (<i>Changes in accounting policies, comparability and other adjustments</i>) (276 and 395).</p> <p>A discussion on the results for the year 2021 compared with 2020 can be found on UBS annual report 2021 filed with the SEC in Form 20-F on March 7, 2022, under <i>Financial and operating performance</i> and under <i>Financial statements</i> of UBS Group AG and UBS AG.</p> |
| B – Liquidity and Capital Resources. | <p>1: Annual Report, <i>Risk factors</i> (56-66), <i>Group performance</i> (68-73), financial and operating performance by business division and Group Functions (74-81), <i>Seasonal characteristics</i> (72), <i>Interest rate risk in the banking book</i> (115-118), <i>Capital, liquidity and funding, and balance sheet</i> (134-162), <i>Asset encumbrance</i> (154), Note 22 to each set of Financial Statements (<i>Restricted and transferred financial assets</i>) (330-332 and 449-451) and Note 28(b) to each set of Financial Statements (<i>Interests in associates and joint ventures</i>) (352 and 473).</p> <p>Liquidity and capital management is undertaken at UBS as an integrated asset and liability management function. While we believe our 'working capital' is sufficient for the company's present requirements, it is our opinion that, as a bank, our liquidity coverage ratio (LCR) is the more relevant measure. For more information see, Annual Report, <i>Liquidity coverage ratio</i> (152).</p> <p>2: Annual Report, <i>Capital, liquidity and funding, and balance sheet</i> (134-162), <i>Currency Management</i> (159-160), Note 10 to each set of Financial Statements (<i>Derivative instruments</i>) (289-291 and 408-410), Note 15 to each set of Financial Statements (<i>Debt issued designated at fair value</i>) (294 and 413), Note 16 to each set of Financial Statements (<i>Debt issued measured at amortized cost</i>) (295 and 414), Note 18 to each set of Financial Statements (<i>Other liabilities</i>) (302 and 421), and Note 25 to each set of Financial Statements (<i>Hedge Accounting</i>) (337-340 and 456-459).</p> <p>3: Annual Report, <i>Material cash requirements</i> (158), <i>Liquidity and funding management</i> (150-152), Note 23 to each set of Financial Statements (<i>Maturity analysis of assets and liabilities</i>) (332-334 and 451-453), and Note 11 to each set of Financial Statements (<i>Property, equipment and software</i>) (291 and 410).</p> |
| C—Research and Development, Patents and Licenses, etc. | Not applicable. |
| D—Trend Information. | Annual Report, <i>Our businesses</i> (18-28), <i>Our environment</i> (28-32), <i>Regulatory and legal developments</i> (53-55), <i>Risk factors</i> (56-66), <i>Financial and operating performance</i> (67-81) and <i>Top and emerging risks</i> (86-87). |
| E—Critical Accounting Estimates | Not applicable. |

| Item 6. Directors, Senior Management and Employees. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|------------------------------|-----------------|--|--|-----------------|-----------------|-----------------|-----------------------------------|--------|--------|--------|---------------------------------|--------|--------|--------|---|-------|-------|-------|-------------------------|-------|-------|-------|------------------------|-------|-------|-------|------------------------|--------|--------|--------|------------------------------|--------------|--|--|-----------------|-----------------|-----------------|-----------------------------------|--------|--------|--------|---------------------------------|--------|--------|--------|---|-------|-------|-------|-------------------------|-------|-------|-------|------------------------|-------|-------|-------|------------------------|--------|--------|--------|
| A – Directors and Senior Management. | 1, 2 and 3: Annual Report, <i>Board of Directors</i> (173-188) and <i>Group Executive Board</i> (189-195). 4, 5: None. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B – Compensation. | 1: Annual Report, <i>Compensation</i> (201-241), Note 1a, 4) to each set of Financial Statements (<i>Share-based and other deferred compensation plans</i>) (272 and 391), Note 27 to each set of Financial Statements (<i>Employee benefits: variable compensation</i>) (347-350 and 467-471) and Note 30 to each set of Financial Statements (<i>Related parties</i>) (355-356 and 476-477). 2: Annual Report, <i>Compensation</i> (201-241), Note 26 to each set of Financial Statements (<i>Post-employment benefit plans</i>) (340-347 and 459-467). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| C – Board practices. | 1: Annual Report, <i>Board of Directors</i> (173-188). The term of office for members of the Board of Directors and its Chairman expires after completion of the next Annual General Meeting. The next UBS Group AG Annual General Meeting is scheduled on 5 April 2023, and the next UBS AG Annual General Meeting is scheduled on 4 April 2023. 2: Annual Report, <i>Compensation</i> (201-241), <i>Clauses on change of control</i> (196), and Note 30 to each set of Financial Statements (<i>Related parties</i>) (355-356 and 476-477). 3: Annual Report, <i>Audit Committee</i> (182) and <i>Compensation Committee</i> (183). Refer to the Supplement (15) for information on UBS AG's Board of Directors' executive sessions. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| D – Employees. | <p>Annual Report, <i>Employees</i> (39-41), and <i>Selected financial data</i> (494-495 and 502-503).</p> <p>In addition to seeking out employee feedback, we maintain an open dialogue with our formal employee representation groups. The UBS Employee Forum (our European Works Council) and the UBS Europe SE Works Council represent 16 countries and consider topics related to our performance and operations. Local works councils such as the Employee Representation Committee in Switzerland discuss topics such as benefits, workplace conditions and redundancies. Collectively, these groups represent approximately 47% of our global workforce.</p> <p>Where applicable, our operations are subject to collective bargaining agreements (CBAs). In all those locations, the employment terms and conditions for any employees not covered by CBAs are aligned with those agreements. Benefits are aligned with local markets, and due to the competitive labor environments in which we operate, often go beyond legal requirements or market practice.</p> <p>During 2022, the Global Research and Analytics function was re-aligned, resulting in a shift of personnel from Group Functions to the Investment Bank. Comparative figures have been restated accordingly for both UBS Group AG and UBS AG on the tables below.</p> <p>UBS group AG (consolidated) personnel by business division and Group Functions:</p> <table border="1"> <thead> <tr> <th rowspan="2"><i>Full-time equivalents</i></th> <th colspan="3">As of</th> </tr> <tr> <th>31.12.22</th> <th>31.12.21</th> <th>31.12.20</th> </tr> </thead> <tbody> <tr> <td>Personnel (full-time equivalents)</td> <td>72,597</td> <td>71,385</td> <td>71,551</td> </tr> <tr> <td><i>Global Wealth Management</i></td> <td>24,351</td> <td>24,093</td> <td>24,200</td> </tr> <tr> <td><i>Personal & Corporate Banking</i></td> <td>5,725</td> <td>5,791</td> <td>6,021</td> </tr> <tr> <td><i>Asset Management</i></td> <td>2,848</td> <td>2,693</td> <td>2,642</td> </tr> <tr> <td><i>Investment Bank</i></td> <td>9,177</td> <td>8,667</td> <td>8,575</td> </tr> <tr> <td><i>Group Functions</i></td> <td>30,497</td> <td>30,142</td> <td>30,113</td> </tr> </tbody> </table> <p>UBS AG (consolidated) personnel by business division and Group Functions:</p> <table border="1"> <thead> <tr> <th rowspan="2"><i>Full-time equivalents</i></th> <th colspan="3">As of</th> </tr> <tr> <th>31.12.22</th> <th>31.12.21</th> <th>31.12.20</th> </tr> </thead> <tbody> <tr> <td>Personnel (full-time equivalents)</td> <td>47,628</td> <td>47,067</td> <td>47,546</td> </tr> <tr> <td><i>Global Wealth Management</i></td> <td>23,292</td> <td>22,986</td> <td>23,039</td> </tr> <tr> <td><i>Personal & Corporate Banking</i></td> <td>4,923</td> <td>4,993</td> <td>5,131</td> </tr> <tr> <td><i>Asset Management</i></td> <td>2,450</td> <td>2,375</td> <td>2,351</td> </tr> <tr> <td><i>Investment Bank</i></td> <td>6,929</td> <td>6,644</td> <td>6,518</td> </tr> <tr> <td><i>Group Functions</i></td> <td>10,035</td> <td>10,069</td> <td>10,507</td> </tr> </tbody> </table> | <i>Full-time equivalents</i> | As of | | | 31.12.22 | 31.12.21 | 31.12.20 | Personnel (full-time equivalents) | 72,597 | 71,385 | 71,551 | <i>Global Wealth Management</i> | 24,351 | 24,093 | 24,200 | <i>Personal & Corporate Banking</i> | 5,725 | 5,791 | 6,021 | <i>Asset Management</i> | 2,848 | 2,693 | 2,642 | <i>Investment Bank</i> | 9,177 | 8,667 | 8,575 | <i>Group Functions</i> | 30,497 | 30,142 | 30,113 | <i>Full-time equivalents</i> | As of | | | 31.12.22 | 31.12.21 | 31.12.20 | Personnel (full-time equivalents) | 47,628 | 47,067 | 47,546 | <i>Global Wealth Management</i> | 23,292 | 22,986 | 23,039 | <i>Personal & Corporate Banking</i> | 4,923 | 4,993 | 5,131 | <i>Asset Management</i> | 2,450 | 2,375 | 2,351 | <i>Investment Bank</i> | 6,929 | 6,644 | 6,518 | <i>Group Functions</i> | 10,035 | 10,069 | 10,507 |
| <i>Full-time equivalents</i> | As of | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 31.12.22 | 31.12.21 | 31.12.20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Personnel (full-time equivalents) | 72,597 | 71,385 | 71,551 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Global Wealth Management</i> | 24,351 | 24,093 | 24,200 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Personal & Corporate Banking</i> | 5,725 | 5,791 | 6,021 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Asset Management</i> | 2,848 | 2,693 | 2,642 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Investment Bank</i> | 9,177 | 8,667 | 8,575 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Group Functions</i> | 30,497 | 30,142 | 30,113 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Full-time equivalents</i> | As of | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 31.12.22 | 31.12.21 | 31.12.20 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Personnel (full-time equivalents) | 47,628 | 47,067 | 47,546 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Global Wealth Management</i> | 23,292 | 22,986 | 23,039 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Personal & Corporate Banking</i> | 4,923 | 4,993 | 5,131 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Asset Management</i> | 2,450 | 2,375 | 2,351 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Investment Bank</i> | 6,929 | 6,644 | 6,518 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <i>Group Functions</i> | 10,035 | 10,069 | 10,507 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| E—Share Ownership. | 1 and 2: Annual Report, <i>Compensation</i> (201-241), Note 27 to each set of Financial Statements (<i>Employee benefits: variable compensation</i>) (347-350 and 467-471) and Note 30b to each set of Financial Statements (<i>Equity holdings of key management personnel</i>) (355 and 476). | | | | | | | | | | | | | | | | | | | | |
|--|--|-------------|-----------------------|-----------------------------|-------------|----------------------------|-------------|--------------------------------|-------------|-------------|-----------------------|-----------------------------------|-------------|---|-------------|---|-------------|--|-------------|---|-------------|
| F—Disclosure of a registrant’s action to recover erroneously awarded compensation. | Not applicable. | | | | | | | | | | | | | | | | | | | | |
| Item 7. Major Shareholders and Related Party Transactions. | | | | | | | | | | | | | | | | | | | | | |
| A—Major Shareholders. | <p>Annual Report, <i>Group structure and shareholders</i> (166-167), <i>Share capital structure</i> (167-171) and <i>Voting rights, restrictions and representation</i> (171).</p> <p>The number of shares of UBS Group AG held by the respective shareholders listed on page 167 of the Annual Report registered in the UBS share register with 3% or more of total share capital as of 31 December 2022 is as follows:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of shares held</th> </tr> </thead> <tbody> <tr> <td>Chase Nominees Ltd., London</td> <td>302,947,749</td> </tr> <tr> <td>DTC (Cede & Co.), New York</td> <td>251,014,771</td> </tr> <tr> <td>Nortrust Nominees Ltd., London</td> <td>152,567,310</td> </tr> </tbody> </table> <p>According to the mandatory FMIA disclosure notifications filed with UBS Group AG and SIX, the following entities disclosed holding of more than 3% of the total share capital of UBS Group AG, with the following number of shares:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>Number of shares held</th> </tr> </thead> <tbody> <tr> <td>Norges Bank, Oslo on 25 July 2019</td> <td>115,997,262</td> </tr> <tr> <td>Artisan Partners Limited Partnership, Milwaukee on 18 November 2020</td> <td>121,591,630</td> </tr> <tr> <td>Massachusetts Financial Services Company, on 25 June 2021</td> <td>116,145,996</td> </tr> <tr> <td>Dodge & Cox International Stock Fund, on 28 January 2022</td> <td>111,816,261</td> </tr> <tr> <td>BlackRock Inc., New York, on 29 June 2022</td> <td>184,188,641</td> </tr> </tbody> </table> <p>The number of shares of UBS AG held by UBS Group AG as of 31 December 2022 was 3,858,408,466 shares.</p> | Shareholder | Number of shares held | Chase Nominees Ltd., London | 302,947,749 | DTC (Cede & Co.), New York | 251,014,771 | Nortrust Nominees Ltd., London | 152,567,310 | Shareholder | Number of shares held | Norges Bank, Oslo on 25 July 2019 | 115,997,262 | Artisan Partners Limited Partnership, Milwaukee on 18 November 2020 | 121,591,630 | Massachusetts Financial Services Company, on 25 June 2021 | 116,145,996 | Dodge & Cox International Stock Fund, on 28 January 2022 | 111,816,261 | BlackRock Inc., New York, on 29 June 2022 | 184,188,641 |
| Shareholder | Number of shares held | | | | | | | | | | | | | | | | | | | | |
| Chase Nominees Ltd., London | 302,947,749 | | | | | | | | | | | | | | | | | | | | |
| DTC (Cede & Co.), New York | 251,014,771 | | | | | | | | | | | | | | | | | | | | |
| Nortrust Nominees Ltd., London | 152,567,310 | | | | | | | | | | | | | | | | | | | | |
| Shareholder | Number of shares held | | | | | | | | | | | | | | | | | | | | |
| Norges Bank, Oslo on 25 July 2019 | 115,997,262 | | | | | | | | | | | | | | | | | | | | |
| Artisan Partners Limited Partnership, Milwaukee on 18 November 2020 | 121,591,630 | | | | | | | | | | | | | | | | | | | | |
| Massachusetts Financial Services Company, on 25 June 2021 | 116,145,996 | | | | | | | | | | | | | | | | | | | | |
| Dodge & Cox International Stock Fund, on 28 January 2022 | 111,816,261 | | | | | | | | | | | | | | | | | | | | |
| BlackRock Inc., New York, on 29 June 2022 | 184,188,641 | | | | | | | | | | | | | | | | | | | | |
| B—Related Party Transactions. | Annual Report, <i>Loans granted to GEB members</i> (238), <i>Loans granted to BoD members</i> (239) and Note 30 to each set of Financial Statements (<i>Related parties</i>) (355-356 and 476-477). | | | | | | | | | | | | | | | | | | | | |
| C—Interests of Experts and Counsel. | Not applicable. | | | | | | | | | | | | | | | | | | | | |
| Item 8. Financial Information. | | | | | | | | | | | | | | | | | | | | | |
| A—Consolidated Statements and Other Financial Information. | <p>1, 2, 3, 4, 6: Please see Item 18 of this Form 20-F.</p> <p>5: Not applicable.</p> <p>7: Information on material legal and regulatory proceedings is in Note 17 to each set of Financial Statements (<i>Provisions and contingent liabilities</i>) (295-301 and 414-421). For developments during the year, please see also the note <i>Provisions and contingent liabilities</i> in the Consolidated Financial Statements section in our respective quarterly reports for the First, Second and Third Quarters 2022, filed on Forms 6-K dated April 26, 2022 (UBS Group AG) and April 29, 2022 (UBS AG), July 26, 2022 (UBS Group AG) and July 29, 2022 (UBS AG) and October 25, 2022 (UBS Group AG) and October 28, 2022 (UBS AG), respectively; as well as the <i>Provisions and contingent liabilities</i> section in the Fourth Quarter 2022 Report, filed on Form 6-K dated January 31, 2023. The disclosures in each such Quarterly Report speak only as of their respective dates.</p> <p>8: Annual Report, <i>Letter to Shareholders</i> (2-5), <i>Investors</i> (37-38), <i>Dividend distribution</i> (160), <i>Distributions to shareholders</i> (170).</p> | | | | | | | | | | | | | | | | | | | | |
| B—Significant Changes. | None. | | | | | | | | | | | | | | | | | | | | |

| | |
|---|---|
| Item 9. The Offer and Listing. | |
| A – Offer and Listing Details. | 1, 2, 3, 5, 6, 7: Not applicable. 4: Annual Report, <i>Listing of UBS Group AG shares</i> (162). |
| B—Plan of Distribution. | Not applicable. |
| C—Markets. | Cover page (3). Annual Report, <i>Listing of UBS Group AG shares</i> (162) |
| D—Selling Shareholders. | Not applicable. |
| E—Dilution. | Not applicable. |
| F—Expenses of the Issue. | Not applicable. |
| Item 10. Additional Information. | |
| A—Share Capital. | Not applicable. |
| B—Memorandum and Articles of Association. | 1: Supplement (16). 2: Annual Report, <i>Compensation governance</i> (208-209), <i>Compensation for the Board of Directors</i> (229-231). Supplement (15). 3: Annual Report, <i>Share capital structure</i> (167-171), <i>Shareholders' participation rights</i> (171-172), <i>Elections and terms of office</i> (181). Supplement (13-16). 4: Supplement (14). 5: Annual Report, <i>Shareholders' participation rights</i> (171-172). Supplement (14). 6: Annual Report, <i>Transferability, voting rights and nominee registration</i> (171), <i>Shareholders' participation rights</i> (171-172). Supplement (13). 7: Annual Report, <i>Change of control and defense measures</i> (196). 8: Annual Report, <i>Significant Shareholders</i> (166-167). 9: Supplement (13-16) and Annual Report, <i>Differences from corporate governance standards relevant to US-listed companies</i> (165-166), <i>Compensation governance</i> (208-209), <i>Compensation for the Board of Directors</i> (229-231), <i>Share capital structure</i> (167-171), <i>Shareholders' participation rights</i> (171-172), <i>Elections and terms of office</i> (207), <i>Transferability, voting rights and nominee registration</i> (171), <i>Change of control and defense measures</i> (196), <i>Significant Shareholders</i> (166-167) 10: Supplement (13-16). |
| C—Material Contracts. | The Terms & Conditions of the several series of capital instruments issued to date, and to be issued pursuant to Deferred Capital Contingent Plans, are exhibits 4.1 through 4.19 to this Form 20-F. These notes are described under <i>Swiss SRB total loss-absorbing capacity framework</i> on page 136-138 of the Annual Report and <i>Our deferred compensation plans</i> on page 222-223 of the Annual Report. The Asset Transfer Agreement by which certain assets and liabilities of UBS AG were transferred to UBS Switzerland AG is filed as Exhibit 4.20, and is described under <i>Joint liability of UBS Switzerland AG</i> on page 482 of the Annual Report. |
| D—Exchange Controls. | Other than in relation to economic sanctions, there are no restrictions under the Articles of Association of UBS Group AG or UBS AG, nor under Swiss law, as presently in force, that limit the right of non-resident or foreign owners to hold UBS's securities freely. There are currently no Swiss foreign exchange controls or other Swiss laws restricting the import or export of capital by UBS or its subsidiaries, nor restrictions affecting the remittance of dividends, interest or other payments to non-resident holders of UBS securities. The Swiss federal government may impose sanctions on particular countries, regimes, organizations or persons which may create restrictions on exchange of control. A current list, in German, French and Italian, of such sanctions can be found at www.seco-admin.ch . UBS may also be subject to sanctions regulations from other jurisdictions where it operates imposing further restrictions. |
| E—Taxation. | Supplement (17-19). |
| F—Dividends and Paying Agents. | Not applicable. |
| G—Statement by Experts. | Not applicable. |
| H—Documents on Display. | UBS files periodic reports and other information with the Securities and Exchange Commission. You may read and copy any document that we file with the SEC on the SEC's website, www.sec.gov . Much of this information may also be found on the UBS website at www.ubs.com/investors . |
| I—Subsidiary Information. | Not applicable. |
| J—Annual Report to Security Holders | Not applicable |

| | |
|---|--|
| Item 11. Quantitative and Qualitative Disclosures About Market Risk. | |
| (a) Quantitative Information About Market Risk. | Annual Report, <i>Market risk</i> (111-119). |
| (b) Qualitative Information About Market Risk. | Annual Report, <i>Market risk</i> (111-119). |
| (c) Interim Periods. | Not applicable. |
| Item 12. Description of Securities Other than Equity Securities. | |
| A – Debt Securities | Not applicable. |
| B – Warrants and Rights | Not applicable. |
| C – Other Securities | Not applicable. |
| D – American Depositary Shares | Not applicable. |
| Item 13. Defaults, Dividend Arrearages and Delinquencies. | There has been no material default in respect of any indebtedness of UBS or any of its significant subsidiaries or any arrearages of dividends or any other material delinquency not cured within 30 days relating to any preferred stock of UBS Group AG or any of its significant subsidiaries. |
| Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds. | None. |
| Item 15. Controls and Procedures. | |
| (a) Disclosure Controls and Procedures | Annual Report, <i>US disclosure requirements</i> (199), and Exhibit 12 to this Form 20-F. |
| (b) Management’s Annual Report on Internal Control over Financial Reporting | Annual Report, <i>Management’s report on internal control over financial reporting</i> (244 and 364). |
| (c) Attestation Report of the Registered Public Accounting Firm | Annual Report, <i>Report of Independent Registered Public Accounting Firm</i> (245 and 365). |
| (d) Changes in Internal Control over Financial Reporting | None. |
| Item 16A. Audit Committee Financial Expert. | Annual Report, <i>Audit Committee</i> (182) and <i>Differences from corporate governance standards relevant to US-listed companies</i> (165-166). All Audit Committee members have accounting or related financial management expertise and, in compliance with the rules established pursuant to the US Sarbanes-Oxley Act of 2002, at least one member, the Chairperson Jeremy Anderson, qualifies as a financial expert. |
| Item 16B. Code of Ethics. | Annual Report, <i>Our Code of Conduct and Ethics</i> (43) UBS's Code of Conduct and Ethics ("the Code") is published on our website under https://www.ubs.com/code . The UBS Code of Business Conduct does not include a waiver option, and no waiver from any provision of the Code was granted to any employee in 2022. |
| Item 16C. Principal Accountant Fees and Services. | Annual Report, <i>Auditors</i> (196-198). None of the non-audit services so disclosed were approved by the Audit Committee pursuant to paragraph (c) (7)(i)(C) of Rule 2-01 of Regulation S-X. |
| Item 16D. Exemptions from the Listing Standards for Audit Committees. | Not applicable. |
| Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers. | Annual Report, <i>Holding of UBS Group AG shares</i> (161). |
| Item 16F. Changes in Registrant’s Certifying Accountant. | Not applicable. |

| | |
|--|---|
| Item 16G. Corporate Governance. | Annual Report, <i>Differences from corporate governance standards relevant to US-listed companies</i> (165-166), <i>Governance and Nominating Committee</i> (183-184). |
| Item 16H. Mine Safety Disclosure. | Not applicable. |
| Item 16I. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections | Not applicable. |
| Item 17. Financial Statements. | Not applicable. |
| Item 18. Financial Statements. | Annual Report, <i>Financial statements</i> (242-502), <i>Significant regulated subsidiary and sub-group information</i> (521-522) and <i>Additional regulatory information</i> (523-539). |
| Item 19. Exhibits | Supplement (20-21). |

Supplemental information

Item 4. Information on the Company

B – Business Overview

Item 4.B.2. Geographic breakdown of total revenues¹ of UBS Group AG consolidated

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

The main principles of the allocation methodology are that client revenues are attributed to the domicile of the client, and trading and portfolio management revenues are attributed to the country where the risk is managed. This revenue attribution is consistent with the mandate of the regional Presidents. Certain revenues, such as those related to Non-core and Legacy Portfolio within Group Functions, are managed at a Group level. These revenues are included in the *Global* column. Financial information for UBS AG consolidated does not differ materially from that for UBS Group AG consolidated.

USD billion

| Business Division | FY | Americas | Asia Pacific | EMEA | Switzerland | Global | Total |
|------------------------------|------|----------|--------------|------|-------------|--------|-------|
| Global Wealth Management | 2022 | 10.6 | 2.6 | 3.9 | 1.9 | 0.0 | 19.0 |
| | 2021 | 10.7 | 2.9 | 3.9 | 1.9 | 0.0 | 19.4 |
| | 2020 | 9.1 | 2.7 | 3.6 | 1.7 | 0.0 | 17.1 |
| Personal & Corporate Banking | 2022 | 0.0 | 0.0 | 0.0 | 4.3 | 0.0 | 4.3 |
| | 2021 | 0.0 | 0.0 | 0.0 | 4.3 | 0.0 | 4.3 |
| | 2020 | 0.0 | 0.0 | 0.0 | 3.9 | 0.0 | 3.9 |
| Asset Management | 2022 | 0.5 | 0.4 | 0.4 | 0.7 | 0.8 | 3.0 |
| | 2021 | 0.6 | 0.5 | 0.5 | 0.8 | 0.0 | 2.6 |
| | 2020 | 0.7 | 0.5 | 0.5 | 0.7 | 0.6 | 3.0 |
| Investment Bank | 2022 | 2.7 | 2.7 | 2.6 | 0.7 | 0.0 | 8.7 |
| | 2021 | 3.2 | 3.0 | 2.5 | 0.8 | (0.0) | 9.5 |
| | 2020 | 3.5 | 2.8 | 2.5 | 0.8 | 0.0 | 9.5 |
| Group Functions | 2022 | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) | (0.4) |
| | 2021 | 0.0 | 0.0 | 0.0 | 0.0 | (0.4) | (0.4) |
| | 2020 | 0.0 | 0.0 | 0.0 | 0.0 | (0.5) | (0.5) |
| Group | 2022 | 13.8 | 5.6 | 7.0 | 7.7 | 0.5 | 34.6 |
| | 2021 | 14.5 | 6.5 | 7.0 | 7.8 | (0.3) | 35.4 |
| | 2020 | 13.2 | 6.1 | 6.5 | 7.1 | 0.1 | 33.1 |

¹ During 2022, UBS changed the presentation of its Income statement. Total operating income was renamed Total revenues and excludes Credit loss expense / (release). This table, including prior-period information, has been updated to reflect the new presentation structure, with the disclosure of Total revenues instead of Total operating income. Refer to Note 1b to the UBS Group AG consolidated financial statements for more information.

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

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

UBS has a Group Sanctions Policy that prohibits transactions involving sanctioned countries, including Iran, and sanctioned individuals and entities. However, UBS maintains one account involving the Iranian government under the auspices of the United Nations in Geneva after agreeing with the Swiss government that it would do so only under certain conditions. These conditions include that payments involving the account must: (1) be made within Switzerland; (2) be consistent with paying rent, salaries, telephone and other expenses necessary for its operations in Geneva; and (3) not involve any Specially Designated Nationals (SDNs) blocked or otherwise restricted under US or Swiss law. In 2022, the gross revenues for this UN-related account were approximately USD 19,064.61. We do not allocate expenses to specific client accounts in a way that enables us to calculate net profits with respect to any individual account. UBS AG intends to continue maintaining this account pursuant to the conditions it has established with the Swiss Government and consistent with its Group Sanctions Policy.

As previously reported, UBS had certain outstanding legacy trade finance arrangements issued on behalf of Swiss client exporters in favor of their Iranian counterparties. In February 2012 UBS ceased accepting payments on these outstanding export trade finance arrangements and worked with the Swiss government who insured these contracts (Swiss Export Risk Insurance "SERV"). On December 21, 2012, UBS and the SERV entered into certain Transfer and Assignment Agreements under which SERV purchased all of UBS's remaining receivables under or in connection with Iran-related export finance transactions. Hence, the SERV is the sole beneficiary of said receivables. There was no financial activity involving Iran in connection with these trade finance arrangements in 2022, and no gross revenue or net profit.

In connection with these trade finance arrangements, UBS has maintained one existing account relationship with an Iranian bank. This account was established prior to the US designation of this bank and maintained due to the existing trade finance arrangements. In 2007, following the designation of the bank pursuant to sanctions issued by the US, UN and Switzerland, the account was blocked under Swiss law and remained subject to blocking requirements until January 2016. Client assets as of 31 December 2022 were CHF 3,097.40. There have been no transactions involving this account. Accordingly, there is no gross revenue to report for 2022.

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

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

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

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

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

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

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

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

Shares and Shareholders
Share Register and Transfer of Shares

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

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

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

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

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

General Meeting

A shareholders' meeting is convened by the Board of Directors (BoD) upon notification of the shareholders at least 20 days prior to such meeting. An invitation will be sent to all registered shareholders. The Articles do not require a minimum number of shareholders to be present in order to hold a shareholders' meeting.

Unless otherwise provided by law or the Articles (as indicated in this section), resolutions require the approval of a majority of the votes represented, excluding blank and invalid ballots, at a shareholders' meeting. Under Swiss corporate law, a resolution passed by at least two-thirds of votes represented and a majority of the nominal value of the shares represented is required in order to approve:

- A change in our stated purpose in the Articles;
- The consolidation of shares, unless the consent of all the shareholders concerned is required;
- The restriction or cancellation of the preemptive right;
- The conversion of participation certificates into shares;
- The introduction of shares with preferential voting rights;
- Any restriction on the transferability of registered shares;
- Any change in the currency of the share capital;
- The introduction of a casting vote for the person chairing the shareholders' meeting;
- A provision of the articles of association on holding the shareholders' meeting abroad;
- The delisting of the equity securities of the corporation;
- Authorizing contingent capital, a capital band or the creation of reserve capital in accordance with Swiss banking law;
- A capital increase from equity capital, in return for contributions in kind or by offset with a claim, and the granting of special privileges;
- A change of domicile of the corporation;
- The introduction of an arbitration clause in the articles of association;
- Dispensing with the designation of an independent voting representative for conducting a virtual general meeting in the case of corporations whose shares are not listed on a stock exchange (e.g., UBS AG); or
- Dissolution of the corporation.

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

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

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

Net Profits and Dividends

Swiss law requires that at least 5% of the annual net profits of a corporation must be retained as statutory retained earnings until these equal, together with the statutory capital reserve, 50% of the corporation's paid-up share capital. Holding companies, such as UBS Group AG, must increase the statutory retained earnings until these equal, together with the statutory capital reserve, 20% of the corporation's paid-up share capital.

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

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

Preemptive Rights

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

Notices

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

Mandatory Tender Offer

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

Board of Directors

Borrowing Power

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

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

Conflicts of Interests

Swiss law requires directors and members of senior management to inform the BoD immediately and comprehensively of any conflicts of interest affecting them. The BoD then has to take the measures required to safeguard the interests of the corporation. Directors and officers are personally liable to the corporation for any breach of these provisions. In addition, Swiss law contains a provision under which payments made to a shareholder or a director or any person associated therewith, other than at arm's length, must be repaid to us if the shareholder or director was acting in bad faith.

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

Retirement of Board members

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

Executive sessions

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

The Company

Repurchase of Shares

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

Sinking fund provisions

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

Registration and Business Purpose

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

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

Duration and Liquidation

UBS Group AG and UBS AG have unlimited duration.

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

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

Other

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

E—Taxation.

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

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

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

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

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

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

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

(a) Ownership of UBS Ordinary Shares - Swiss Taxation

Dividends and Distributions

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

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

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

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

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

Transfers of UBS Ordinary Shares

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

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

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

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

Dividends and Distributions

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

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

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

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

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

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

Transfers of UBS Ordinary Shares

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

Passive Foreign Investment Company (PFIC) Rules

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

Item 19. Exhibits.

| Exhibit number | Description |
|----------------|---|
| 1.1 | Articles of Association of UBS Group AG dated 6 April 2022. |
| 1.2 | Articles of Association of UBS AG dated 26 April 2018. (Incorporated by reference to Exhibit 1.2 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 1.3 | Organization Regulations of UBS Group AG dated 14 February 2022. (Incorporated by reference to Exhibit 1.3 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021) |
| 1.4 | Organization Regulations of UBS AG dated 14 February 2022. (Incorporated by reference to Exhibit 1.4 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021) |
| 2(b) | Instruments defining the rights of the holders of long-term debt issued by UBS Group AG and its subsidiaries. |

We agree to furnish to the SEC upon request, copies of the instruments, including indentures, defining the rights of the holders of our long-term debt and of our subsidiaries' long-term debt.

| | |
|------|--|
| 2(d) | Description of securities registered under Section 12 or the Securities Exchange Act of 1934 |
| 4.1 | Terms and Conditions of Tier 2 Subordinated Notes of UBS AG due 2024, issued 15 May 2014. (Incorporated by reference to Exhibit 4.3 to UBS AG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.2 | Terms and Conditions of USD 1.25 billion 7% Tier 1 Subordinated Notes issued by UBS Group AG on 19 February 2015. (Incorporated by reference to Exhibit 4.4 to UBS AG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.3 | Terms and Conditions of EUR 1 billion 5.75% Tier 1 Subordinated Notes issued by UBS Group AG on 19 February 2015. (Incorporated by reference to Exhibit 4.6 to UBS AG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014) |
| 4.4 | Terms and Conditions of USD 1.575 billion Tier 1 Subordinated Notes issued by UBS Group AG on 7 August 2015. (Incorporated by reference to Exhibit 4.8 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2015) |
| 4.5 | Terms and Conditions of SGD 700 million 5.875% Tier 1 Subordinated Notes issued on 28 November 2018 by UBS Group AG (originally issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG, migrated to UBS Group AG as issuer on 11 October 2019). (Incorporated by reference to Exhibit 4.17 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2018) |
| 4.6 | Terms and Conditions of USD 2.5 billion 7.00% Tier 1 Subordinated Notes issued on 31 January 2019 by UBS Group AG (originally issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG, migrated to UBS Group AG as issuer on 11 October 2019). (Incorporated by reference to Exhibit 4.18 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2018) |
| 4.7 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2018/19. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2018) |
| 4.8 | Terms and Conditions of AUD 700 million 4.375% Tier 1 Subordinated Notes issued on 27 August 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.17 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.9 | Terms and Conditions of SGD 750 million 4.85% Tier 1 Subordinated Notes issued on 04 September 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.18 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.10 | Terms and Conditions of CHF 275 million 3.00% Tier 1 Subordinated Notes issued on 13 November 2019 by UBS Group AG. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2019) |
| 4.11 | Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2019/20. (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020) |

- 4.12 [Terms and Conditions of USD 750 million 5.125% Tier 1 Subordinated Notes issued on 29 July 2020 by UBS Group AG.](#) (Incorporated by reference to Exhibit 4.20 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020)
- 4.13 [Terms and Conditions of USD 1.5 billion 4.375% Tier 1 Subordinated Notes issued on 10 February 2021 by UBS Group AG.](#) (Incorporated by reference to Exhibit 4.21 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020)
- 4.14 [Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2020/21.](#) (Incorporated by reference to Exhibit 4.22 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2020)
- 4.15 [Terms and Conditions of USD 750 million 3.875% Tier 1 Subordinated Notes issued on 02 June 2021 by UBS Group AG.](#) (Incorporated by reference to Exhibit 4.18 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021)
- 4.16 [Terms and Conditions of USD 1.5 billion 4.875% Tier 1 Subordinated Notes issued on 12 January 2022 by UBS Group AG.](#) (Incorporated by reference to Exhibit 4.19 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021)
- 4.17 [Terms and Conditions of CHF 265 million 3.375% Tier 1 Subordinated Notes issued on 16 February 2022 by UBS Group AG.](#) (Incorporated by reference to Exhibit 4.20 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021)
- 4.18 [Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2021/22.](#) (Incorporated by reference to Exhibit 4.21 to UBS's Annual Report on Form 20-F for the fiscal year ended December 31, 2021)
- 4.19 [Terms and Conditions of additional Tier 1 capital instruments issued pursuant to the Deferred Contingent Capital Plan 2022/23.](#)
- 4.20 [Asset Transfer Agreement between UBS AG and UBS Switzerland AG dated 12 June 2015.](#) (Incorporated by reference to Form 6-K of UBS AG filed on June 17, 2015)
- 8 Significant Subsidiaries of UBS Group AG.

Please see Note 28 to each set of Financial Statements (*Interests in subsidiaries and other entities*), on pages 350-354 and 471-475 of the Annual Report.

- 12 [The certifications required by Rule 13\(a\)-14\(a\) \(17 CFR 240.13a-14\(a\)\).](#)
- 13 [The certifications required by Rule 13\(a\)-14\(b\) \(17 CFR 240.13a-14\(b\)\) and Section 1350 of Chapter 63 of Title 18 of the U.S. Code \(18 U.S.C. 1350\).](#)
- 15.1 [Consent of Ernst & Young Ltd. with respect to UBS Group AG.](#)
- 15.2 [Consent of Ernst & Young Ltd. with respect to UBS AG.](#)
- 101 Interactive Data Files (sections of the Annual Report formatted in inline XBRL (Extensible Business Reporting Language)). Furnished electronically herewith.

SIGNATURES

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

UBS Group AG

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

/s/ Sarah Youngwood
Name: Sarah Youngwood
Title: Group Chief Financial Officer

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

UBS AG

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

/s/ Sarah Youngwood
Name: Sarah Youngwood
Title: Chief Financial Officer

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

Date: March 6, 2023

Annual Report 2022

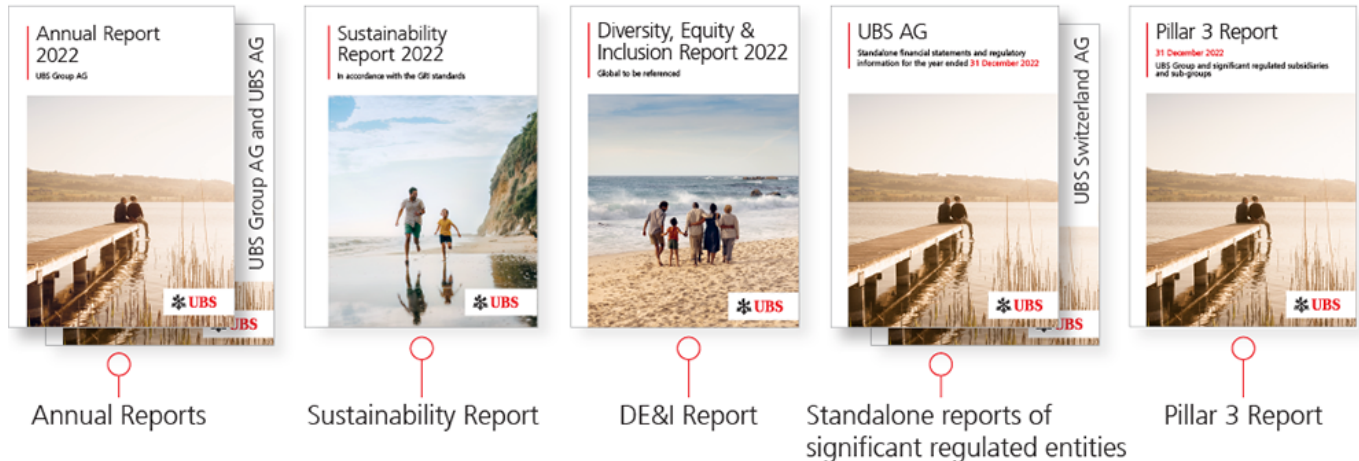
UBS Group AG and UBS AG



Our external reporting approach

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

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



Annual Reports

The 2022 Annual Reports (the UBS Group AG Annual Report 2022 and the combined UBS Group AG and UBS AG Annual Report 2022) include the consolidated financial statements of UBS Group AG and UBS AG, respectively, and provide comprehensive information about our firm, including our strategy, businesses, financial and operating performance, and other key information. The reports are presented in US dollars. The UBS Group AG Annual Report 2022 is partly translated into German, with the German translation available as of 10 March 2023 under “Annual reporting” at ubs.com/investors.

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

Sustainability Report

The Sustainability Report, which will be available from 6 March 2023, provides disclosures on environmental, social and governance topics for UBS Group. Selected information on environmental, social and governance is also included in our Annual Report.

Standalone reports of significant regulated entities

We publish separate standalone reports for UBS AG and UBS Switzerland AG. Selected financial and regulatory key figures for these entities, as well as for UBS Europe SE and UBS Americas Holding LLC, are also included in our annual reports. The UBS Europe SE 2022 financial statements and complementary disclosures will be published on our website in the first half of 2023.

Pillar 3 Report

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

Diversity, Equity and Inclusion Report

The first global Diversity, Equity and Inclusion (DE&I) Report, which will be available in the second quarter of 2023, details our DE&I priority areas of focus, our strategic goals and our approach to achieving them at UBS.

A firm driven by purpose

We have to constantly adapt, innovate, create and simplify to bring the best to our clients. But one thing never changes. Our purpose. Our purpose guides us, challenges us, excites us. It tells our clients, investors and communities who we are and what we stand for.

Reimagining

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

The power of investing

We know finance has a powerful influence on the world. We believe it is something we can leverage as a positive force as stewards of capital for our clients and, together with them, for society and for our planet.

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

Connecting people

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

For a better world

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

What our purpose means for our stakeholders



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

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

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

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

Our approach to long-term value creation

As of or for the year ended 31 December 2022

What is put into the equation

Input

Financial capital

- **14.2%** common equity tier 1 (CET1) capital ratio
- **4.42%** CET1 leverage ratio
- **5.7%** going concern leverage ratio
- **USD 105.3bn** total loss-absorbing capacity
- **USD 45.5bn** CET1 capital

Relationships and intellectual capital

- **160 years'** experience in banking
- Presence in major financial centers worldwide
- Around **USD 4bn** spent on technology in 2022
- Automation, simplification and digitalization of processes (a scalable operating model)
- Dedicated research, differentiated insight and content offerings, and bespoke solutions

Human capital

- **74,022** employees (72,597 FTE) across 48 countries and 150 nationalities
- **12,693** new hires in 2022 (>**1,900** in junior talent programs)
- **59% men and 41% women**
- A high-performing workforce driven to create positive impact for their colleagues, clients and communities
- A collaborative culture and inclusive work environment
- Training and career development to help ensure employees are ready for a more agile future

Social and natural capital

- Committed to net zero across our business by 2050
- **288** employees (FTE) globally work in the field of sustainability and impact
- UBS Social Impact and Philanthropy offering that makes it possible for clients to engage in impactful philanthropy via the UBS Optimus Foundation network and our donor-advised funds
- Sustainability and climate risk standards governing client and vendor relationships worldwide
- ISO 14001-certified environmental management system

What we do

Business activities

Purpose

Reimagining the power of
Connecting people for

Client promise

Personalized
Relevant
On-time
Seamless

Vision

Convene THE
where thought
and ideas are
are brought to

Strategic imperatives

Clients, Connections, Contributors
Focus
Technology

What we offer

Wealth and asset management solutions
corporate and investment banking

The results we deliver

Output

Investors

- **USD 7.6bn** net profit attributable to shareholders
- **USD 2.25** diluted earnings per share
- **17.0%** return on CET1 capital
- **USD 3,957bn** invested assets
- **72.1%** cost / income ratio

Clients

- Simple and scalable processes and interactions through digital tools and platforms, such as UBS Neo, key4 and wealth management platforms
- An investment ecosystem with around **USD 4.0trn** in invested assets, bringing thought leadership, products and investable solutions to individuals and businesses around the world
- Partnership for a seamless client service accompanying clients all through their lives
- Established procedures and policies to handle, process and incorporate feedback and any potential complaints
- Providing high-quality execution, market access, bespoke financing, global capital markets, private markets, and portfolio solutions, delivered as one firm and with selected external partners

Employees

- Numerous business and employer awards that highlight our expertise and innovative solutions
- Fair and equitable pay, confirmed by EQUAL-SALARY Foundation certifications in all major locations
- An engaged and committed workforce, as evidenced by regular feedback and survey scores
- Women hold **27.8%** of Director and above roles
- Ethnic minorities hold **20.4%** of Director and above roles in the US and **23.0%** in the UK
- **More than 1,327,000** learning activities build skills and digital and agile capabilities

Society and environment

- **USD 268bn** in sustainability focus and impact investments (6.8% of total invested assets)
- **USD 10.1bn** private clients' money in SDG-related impact investments
- **USD 76m** donated to local programs by UBS, including affiliated foundations
- **177,000 hours** invested by UBS staff in community projects
- **USD 274m** donations raised by the UBS Optimus Foundation network in 2022
- **99%** of electricity sourced from renewable energy

er of investing.
or a better world.

global ecosystem for investing
thought leadership is impactful, people
connected, and opportunities
to life.

s Simplification & Efficiency
Culture

services, along with personal,
ing capabilities

How our stakeholders benefit

Outcome

- **USD 7.3bn** total capital to be returned to shareholders for the 2022 financial year, amounting to a 95% payout ratio of our net profit attributable to shareholders
- **USD 0.55** proposed dividend per share for the 2022 financial year
- **USD 5.6bn** of our shares were bought back in 2022
- We intend to buy back more than **USD 5bn** of shares by the end of 2023

- Long-term relationships built on mutual trust and integrity
- Access to tailored financial advice, solutions and services from around the globe; striving for attractive and risk-adjusted investment performance
- Improved satisfaction through the offering of personalized products and services, combined with convenient access and customer journeys
- Services accessible across various channels: traditionally through our branches and client advisor network, well complemented by our constantly evolving remote and digital channels

- Wide-ranging talent management processes mean employees can build skills, capabilities and satisfying careers
- Employee flexibility, including hybrid work options, promotes engagement, increased productivity and commitment
- Agile@UBS transforming how we work and increase our speed in finding solutions for clients
- Health and well-being initiatives foster resilience and ensure we maintain a cohesive culture
- Wide recognition as an employer of choice
- Commitments to fair pay and people management ensure employees have equal opportunities to achieve success

- **7.5%** exposure to carbon-related sectors on our banking balance sheet
- **13%** total reduction of our greenhouse gas footprint (scope 1 and 2 emissions) compared with 2021
- **370,916** young people and adults across the regions in which we operate benefited from our strategic community investments
- Committed **USD 150m** in grants from the UBS Optimus Foundation network
- **5.9m** people received support thanks to the UBS Optimus Foundation network

The impact we create

Impact

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

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

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

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

Contents

- 2** Letter to shareholders
 - 7** Highlights of the 2022 financial year
 - 8** Our key figures
 - 10** Our Board of Directors
 - 12** Our Group Executive Board
 - 14** Our evolution
-

1 Our strategy, business model and environment

- 15** Our strategy
 - 17** Targets, aspirations and capital guidance
 - 18** Our businesses
 - 28** Our environment
 - 33** How we create value for our stakeholders
 - 50** Regulation and supervision
 - 53** Regulatory and legal developments
 - 56** Risk factors
-

2 Financial and operating performance

- 67** Accounting and financial reporting
 - 68** Group performance
 - 74** Global Wealth Management
 - 76** Personal & Corporate Banking
 - 78** Asset Management
 - 80** Investment Bank
 - 81** Group Functions
-

3 Risk, capital, liquidity and funding, and balance sheet

- 83** Risk management and control
 - 134** Capital, liquidity and funding, and balance sheet
-

4 Corporate governance and compensation

- 164** Corporate governance
 - 200** Compensation
-

5 Financial statements

- 251** UBS Group AG consolidated financial statements
 - 371** UBS AG consolidated financial statements
-

6 Significant regulated subsidiary and sub-group information

- 491** Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups
-

7 Additional regulatory information

- 494** UBS Group AG consolidated supplemental disclosures required under SEC regulations
 - 502** UBS AG consolidated supplemental disclosures required under SEC regulations
-

A Appendix

- 510** Alternative performance measures
- 513** Abbreviations frequently used in our financial reports
- 515** Information sources
- 516** Cautionary statement

Dear shareholders,

In 2022, the world was impacted by Russia's invasion of Ukraine, which led to a humanitarian crisis and wide-ranging sanctions. The war contributed to higher commodity prices, adding to inflation, which reached multi-decade highs in most major economies. This prompted central banks to tighten monetary policy at a pace not seen since the 1980s.

As a consequence, equity and bond markets fell in tandem. Global equities delivered a total negative return of 18.4%, and global GDP growth decelerated to 3.1% from 6.4% in 2021.

Our 2022 financial performance

Our globally diversified business, with strong positions across Switzerland, Asia Pacific, EMEA and the US, allowed us to deliver value for both our clients and you, our shareholders, in this challenging environment. Our outstanding client franchises are underpinned by a balance sheet for all seasons, a strong risk culture and an intense focus on costs. This enabled us to deliver good results in 2022 and achieve our Group financial targets for the full year, with a net profit of USD 7.6bn, a return on CET1 capital of 17.0% and a cost / income ratio of 72.1%. We also maintained a strong capital position, ending the year with a CET1 capital ratio of 14.2% and a CET1 leverage ratio of 4.42%, both significantly above our guidance.

Throughout 2022, our clients turned to us for stability and advice. We helped them reposition their portfolios and take advantage of longer-term opportunities. This resulted in USD 60bn of net new fee-generating assets in 2022. Net new money from our asset management clients reached USD 25bn for the year. And we saw continued interest in our separately managed account (SMA) offering in the US and in alternatives, contributing to our strong momentum.

Leveraging our position as Switzerland's leading universal bank

In our home market of Switzerland, we benefited from the stability of the economy and strengthened our position as the country's #1 universal bank. In 2022, we expanded our offering, with a focus on real estate, sustainability and pension solutions. Additionally, for our corporate clients, we launched a one-stop marketplace for partner products and services. All this helped us deliver above-market growth. And we plan to continue to do so. We will further invest in our strategic technology initiatives and support our clients' transition to mobile banking, where we have seen a 10 percentage point increase in active mobile clients. At the same time, we remain disciplined on expenses.

After the initial launch of UBS key4 in Switzerland, we continued to expand our digital product range. Increasingly, clients want to invest and manage their money more independently, preferably using their smartphones. With UBS key4 smart investing, clients can now do everything themselves – from opening an account to buying and selling selected funds – easily, intuitively and all online. Our focus on enhancing user experience has resulted in excellent client feedback and interest in engaging with our digital product range.

Building on our scale in the Americas

Regionally, more than half of our invested assets in wealth management come from clients in the US, which is the largest wealth pool globally. In 2022, we remained focused on delivering our entire firm to our core wealth, global family and institutional wealth clients by leveraging our investment banking and asset management capabilities as well as our thought leadership.

We will add to our scale and efficiencies by continuing to develop tailored solutions for global family and institutional wealth clients, expanding our banking capabilities with the long-term goal of becoming our clients' primary bank, recruiting highly productive advisors, and increasing the efficiency and effectiveness of our advisors, processes and controls.

Advisor recruitment is an important component of our organic growth strategy in the US. We have over 20% of Barron's Top 100 Private Wealth Management teams and we continued to recruit high-quality advisors in 2022 to support our industry-leading advisor productivity. By improving our use of digitalization, data and analytics, we are enhancing our financial advisors' ability to spend more time with clients, and offering a more personalized, relevant, on-time and seamless client experience. While we continue to simplify processes and invest in infrastructure and controls, we are also taking strategic and tactical actions on costs to strengthen profitability.

Capturing growth opportunities in Asia Pacific

Asia Pacific is the fastest-growing wealth market, and our long-term commitment to this region is a cornerstone of our strategy. UBS is by far the largest wealth manager in the region, and we are #1 in equity capital markets for non-domestic banks. In 2022, we delivered the best mergers and acquisitions year on record and were recently named both the Best Investment Bank in Asia and Australia by FinanceAsia and the Best Equity House in Asia and Australia by IFR. This gives us confidence in our ability to grow further. Our diversified business streams and multi-shoring capabilities enable us to mitigate short-term geopolitical and macroeconomic headwinds and focus on longer-term opportunities.

The easing of COVID-19 restrictions in China has led to a more positive outlook for 2023, and we are well positioned to support clients both onshore and offshore in China and the rest of Asia Pacific when client activity levels increase. Our launch of WE.UBS in October 2022 marked the first digital-led wealth management platform by a global wealth manager in China. Here, our goal is to be the provider of choice for digital-first wealth advisory for our targeted clients. And in Southeast Asia, we are expanding our global family and institutional wealth business to better serve family offices, entrepreneurs and Asian technology firms.

Driving focused growth in EMEA

In EMEA, we made further progress on improving profitability and driving focused growth. In 2022, we completed the sale of our domestic wealth management business in Spain, following the sale of our domestic Austrian business in 2021. We are continuing to pursue growth opportunities across Europe and the Middle East, especially by providing holistic coverage for entrepreneurs. In the Investment Bank, our Global Markets business had its best year on record, and we outperformed the fee pool in Global Banking.

Making technology a differentiator

We made further progress in leveraging technology as a differentiator, through simplification, automation and user-experience improvements. We removed around 39,000 legacy technology components and decommissioned over 600 applications in an effort to modernize our technology estate and enhance our cybersecurity position. As part of our approximately USD 1.1bn cumulative gross cost savings aspiration, we expect our technology strategy to help us achieve USD 200m in gross cost savings for 2023, which we intend to reinvest.

We are also supporting the development of new financial market infrastructure and are exploring new ideas to create better solutions for our clients. For example, digital assets and distributed ledger technology have the potential to radically transform our industry, and we expect the market for digital assets to continue to grow and evolve. In 2022, we launched and issued the world's first digital bond that is publicly traded and settled on both blockchain-based and traditional exchanges. Investors can buy this bond regardless of whether they have blockchain infrastructure, removing a hurdle in the adoption of the new and disruptive technology that can make issuing bonds faster and more efficient.

Investing in talent and new ways of working

In 2022, we focused on hiring talent with the right capabilities and agile mindsets. And our adoption of flexible ways of working has made us an even more attractive employer. As of year-end, around 18,500 employees across the firm are working in agile teams, which is helping us deliver faster, better and in a more connected way.

We are also making progress toward our aspiration of increasing female and ethnic minority representation. Five of the twelve members of our Group Executive Board, and four of the twelve members of our Board of Directors, are female. Women held 28% of Director and above roles globally as of the end of 2022, while ethnic minority employees held 20% of Director and above roles in the US and 23% in the UK.

We are committed to ongoing education of our workforce. We invested USD 78m in training in 2022, and our permanent employees completed an average of two training days each. We are also investing in the next generation. We welcomed more than 1,900 graduates, trainees, apprentices and interns to our firm through our junior talent programs worldwide. We also run multi-year apprenticeship programs in Switzerland, Australia and the UK, along with summer internship programs in numerous locations globally. In 2022, for the 14th consecutive year, we were recognized among the top 50 of the World's Most Attractive Employers by employer-branding expert Universum.



Colm Kelleher
Chairman of the Board of Directors



Ralph Hamers
Group Chief Executive Officer

A leader in sustainability

The transition to net zero will be one of the most consequential trends in the coming years. Technological advances and the need for new infrastructure and new products in carbon markets and agriculture are just some examples of the opportunities ahead. Blended finance vehicles that leverage philanthropic capital bring public–private partnerships to the fore. We have made good progress on the execution of our sustainability strategy, as outlined in our Sustainability Report 2022.

Our progress is also reflected in feedback from our stakeholders. At our 2022 Annual General Meeting (AGM), our shareholders supported our climate roadmap, including our net-zero targets. And we have made progress toward those targets across many areas of the firm, from our lending business to supply chains to our own operations. At the upcoming 2023 AGM, we will ask you to express your view on our 2022 non-financial reporting in an advisory vote. This is set out in our Sustainability Report 2022, which describes our sustainability strategy, ambitions, governance and achievements.

A number of key sustainability ratings have reconfirmed our leading position. We were again included in the Dow Jones Sustainability Index and the CDP Climate A list. We maintained our MSCI ESG rating of AA, and saw an improvement in ESG risk rating by Sustainalytics, which now considers our firm as “low risk.”

Our commitment to society and communities

UBS is committed to giving back to the communities where we live and work through long-standing partnerships and community-based engagement of our employees. We focus on education and skill development, which is where our resources can have the most impact. In 2022, 34% of our global workforce engaged in volunteering, and 45% of the 177,000 volunteer hours were skills-based.

In 2022, our UBS Optimus Foundation network raised USD 274m in donations, including UBS matching contributions, and committed USD 150m in grants. Donations and grants committed increased by 70% and 39%, respectively.

As of year-end 2022, the Ukraine Relief Fund had disbursed over half of the more than USD 50m committed by clients, employees, UBS and our strategic partner XTX Markets for relief and recovery efforts. The fund is supporting more than 25 organizations and their local partners in Ukraine and the neighboring countries of Poland, Moldova and Romania.

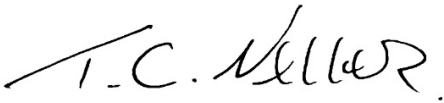
Our commitment to capital returns, today and in the future

We remain committed to delivering attractive capital returns and creating long-term sustainable value for our shareholders. For the 2022 financial year, the Board of Directors is proposing a dividend to UBS Group AG shareholders of USD 0.55 per share, an increase of 10% year over year. Having also repurchased USD 5.6bn of shares in 2022, we are returning USD 7.3bn of capital to our shareholders for the financial year.

Looking ahead, we will remain focused on the disciplined execution of our strategy to create value for our shareholders. We entered 2023 from a position of strength. We remain committed to a progressive dividend and expect to buy back more than USD 5bn of shares in 2023.

Thank you for your ongoing support. We look forward to your feedback and to welcoming you in person to this year's AGM, which will take place on 5 April in Basel, Switzerland.

Yours sincerely,



Colm Kelleher
Chairman of the Board of Directors



Ralph Hamers
Group Chief Executive Officer

Corporate information

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

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

Contacts

Switchboards

For all general inquiries
ubs.com/contact

Zurich +41-44-234 1111
London +44-207-567 8000
New York +1-212-821 3000
Hong Kong SAR +852-2971 8888
Singapore +65-6495 8000

Investor Relations

UBS's Investor Relations team manages relationships with institutional investors, research analysts and credit rating agencies.

ubs.com/investors

Zurich +41-44-234 4100
New York +1-212-882 5734

Media Relations

UBS's Media Relations team manages relationships with global media and journalists.

ubs.com/media

Zurich +41-44-234 8500
mediarelations@ubs.com

London +44-20-7567 4714
ubs-media-relations@ubs.com

New York +1-212-882 5858
mediarelations@ubs.com

Hong Kong SAR +852-2971 8200
sh-mediarelations-ap@ubs.com

Office of the Group Company Secretary

The Group Company Secretary handles inquiries directed to the Chairman or to other members of the Board of Directors.

UBS Group AG, Office of the
Group Company Secretary
P.O. Box, CH-8098 Zurich, Switzerland

sh-company-secretary@ubs.com

Zurich +41-44-235 6652

Shareholder Services

UBS's Shareholder Services team, a unit of the Group Company Secretary's office, manages relationships with shareholders and the registration of UBS Group AG registered shares.

UBS Group AG, Shareholder Services
P.O. Box, CH-8098 Zurich, Switzerland

sh-shareholder-services@ubs.com

Zurich +41-44-235 6652

US Transfer Agent

For global registered share-related inquiries in the US.

Computershare Trust Company NA
P.O. Box 505000
Louisville, KY 40233-5000, USA

Shareholder online inquiries:
[www-us.computershare.com/
investor/contact](https://www-us.computershare.com/investor/contact)

Shareholder website:
computershare.com/investor

Calls from the US
+1-866-305-9566
Calls from outside the US
+1-781-575-2623
TDD for hearing impaired
+1-800-231-5469
TDD for foreign shareholders
+1-201-680-6610

Corporate calendar UBS Group AG

| | |
|--|--------------------------|
| Publication of the Sustainability Report 2022: | Monday, 6 March 2023 |
| Annual General Meeting 2023: | Wednesday, 5 April 2023 |
| Publication of the first quarter 2023 report: | Tuesday, 25 April 2023 |
| Publication of the second quarter 2023 report: | Tuesday, 25 July 2023 |
| Publication of the third quarter 2023 report: | Tuesday, 24 October 2023 |

Corporate calendar UBS AG

| | |
|--|-------------------------|
| Publication of the first quarter 2023 report: | Thursday, 27 April 2023 |
| Publication of the second quarter 2023 report: | Thursday, 27 July 2023 |

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

Imprint

Publisher: UBS Group AG, Zurich, Switzerland | ubs.com

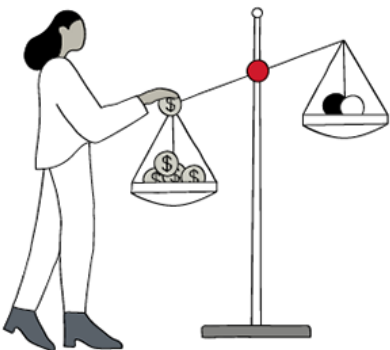
Language: English

© UBS 2023. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

Highlights of the 2022 financial year

We delivered good full-year results in a difficult macroeconomic and geopolitical environment.

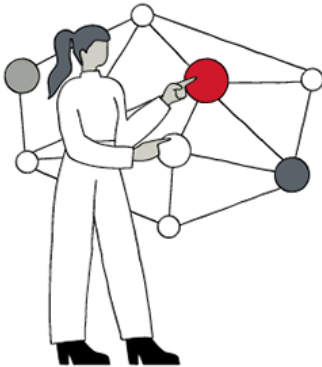
Group results



USD bn
7.6

Net profit attributable to shareholders
(2021: USD 7.5bn)

Resources



USD bn
56.9

Equity attributable to shareholders
(2021: USD 60.7bn)

Profitability



%
17.0

Return on common equity tier 1 capital
(2021: 17.5%)

USD
2.25

Diluted earnings per share
(2021: USD 2.06)

%
14.2

Common equity tier 1 capital ratio
(2021: 15.0%)

%
14.9

Return on tangible equity
(2021: 14.1%)

Our key figures

| USD m, except where indicated | As of or for the year ended | | |
|--|-----------------------------|-----------|-----------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Group results | | | |
| Total revenues | 34,563 | 35,393 | 33,084 |
| Credit loss expense / (release) | 29 | (148) | 694 |
| Operating expenses | 24,930 | 26,058 | 24,235 |
| Operating profit / (loss) before tax | 9,604 | 9,484 | 8,155 |
| Net profit / (loss) attributable to shareholders | 7,630 | 7,457 | 6,557 |
| Diluted earnings per share (USD) ¹ | 2.25 | 2.06 | 1.77 |
| Profitability and growth² | | | |
| Return on equity (%) | 13.3 | 12.6 | 11.3 |
| Return on tangible equity (%) | 14.9 | 14.1 | 12.8 |
| Return on common equity tier 1 capital (%) | 17.0 | 17.5 | 17.4 |
| Return on leverage ratio denominator, gross (%) ³ | 3.3 | 3.4 | 3.4 |
| Cost / income ratio (%) | 72.1 | 73.6 | 73.3 |
| Effective tax rate (%) | 20.2 | 21.1 | 19.4 |
| Net profit growth (%) | 2.3 | 13.7 | 52.3 |
| Resources² | | | |
| Total assets | 1,104,364 | 1,117,182 | 1,125,765 |
| Equity attributable to shareholders | 56,876 | 60,662 | 59,445 |
| Common equity tier 1 capital ⁴ | 45,457 | 45,281 | 39,890 |
| Risk-weighted assets ⁴ | 319,585 | 302,209 | 289,101 |
| Common equity tier 1 capital ratio (%) ⁴ | 14.2 | 15.0 | 13.8 |
| Going concern capital ratio (%) ⁴ | 18.2 | 20.0 | 19.4 |
| Total loss-absorbing capacity ratio (%) ⁴ | 33.0 | 34.7 | 35.2 |
| Leverage ratio denominator ^{3,4} | 1,028,461 | 1,068,862 | 1,037,150 |
| Common equity tier 1 leverage ratio (%) ^{3,4} | 4.42 | 4.24 | 3.85 |
| Liquidity coverage ratio (%) ⁵ | 163.7 | 155.5 | 152.1 |
| Net stable funding ratio (%) ⁶ | 119.8 | 118.5 | 119.2 |
| Other | | | |
| Invested assets (USD bn) ⁷ | 3,957 | 4,596 | 4,187 |
| Personnel (full-time equivalents) | 72,597 | 71,385 | 71,551 |
| Market capitalization ⁸ | 57,848 | 61,230 | 50,013 |
| Total book value per share (USD) ⁸ | 18.30 | 17.84 | 16.74 |
| Tangible book value per share (USD) ⁸ | 16.28 | 15.97 | 14.91 |

¹ Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for more information. ² Refer to the "Targets, aspirations and capital guidance" section of this report for more information about our performance targets. ³ Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ⁴ Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁵ The disclosed ratios represent averages for the fourth quarter of each year presented, which are calculated based on an average of 63 data points in the fourth quarter of 2022, 66 data points in the fourth quarter of 2021 and 63 data points in the fourth quarter of 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁶ The final Swiss net stable funding ratio (NSFR) regulation became effective on 1 July 2021. Prior to this date, the NSFR was based on estimated pro forma reporting. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁷ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 31 Invested assets and net new money" in the "Consolidated financial statements" section of this report for more information. ⁸ Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information.

Alternative performance measures

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

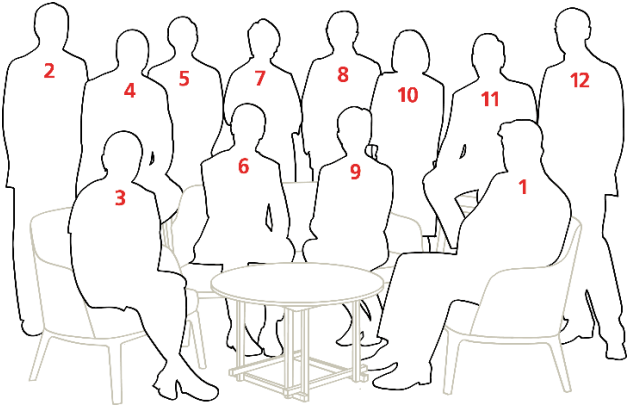
Terms used in this report, unless the context requires otherwise

| | |
|---|--|
| "UBS," "UBS Group," "UBS Group AG consolidated," "Group," "the Group," "we," "us" and "our" | UBS Group AG and its consolidated subsidiaries |
| "UBS AG consolidated" | UBS AG and its consolidated subsidiaries |
| "UBS Group AG" and "UBS Group AG standalone" | UBS Group AG on a standalone basis |
| "UBS AG" and "UBS AG standalone" | UBS AG on a standalone basis |
| "UBS Switzerland AG" and "UBS Switzerland AG standalone" | UBS Switzerland AG on a standalone basis |
| "UBS Europe SE consolidated" | UBS Europe SE and its consolidated subsidiaries |
| "UBS Americas Holding LLC" and "UBS Americas Holding LLC consolidated" | UBS Americas Holding LLC and its consolidated subsidiaries |
| "1m" | One million, i.e., 1,000,000 |
| "1bn" | One billion, i.e., 1,000,000,000 |
| "1trn" | One trillion, i.e., 1,000,000,000,000 |

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

Our Board of Directors

- 1 Colm Kelleher**
Chairman of the Board of Directors / Chairperson of the Corporate Culture and Responsibility Committee / Chairperson of the Governance and Nominating Committee
- 2 Mark Hughes**
Chairperson of the Risk Committee / member of the Corporate Culture and Responsibility Committee
- 3 Jeanette Wong**
Member of the Audit Committee / member of the Compensation Committee
- 4 Jeremy Anderson**
Senior Independent Director / Chairperson of the Audit Committee / member of the Governance and Nominating Committee
- 5 Fred Hu**
Member of the Governance and Nominating Committee
- 6 Lukas Gähwiler**
Vice Chairman of the Board of Directors
- 7 Claudia Böckstiegel**
Member of the Corporate Culture and Responsibility Committee
- 8 Patrick Firmenich**
Member of the Audit Committee / member of the Corporate Culture and Responsibility Committee
- 9 Nathalie Rachou**
Member of the Governance and Nominating Committee / member of the Risk Committee
- 10 Julie G. Richardson**
Chairperson of the Compensation Committee / member of the Risk Committee
- 11 William C. Dudley**
Member of the Corporate Culture and Responsibility Committee / member of the Risk Committee
- 12 Dieter Wemmer**
Member of the Audit Committee / member of the Compensation Committee





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

Our Group Executive Board

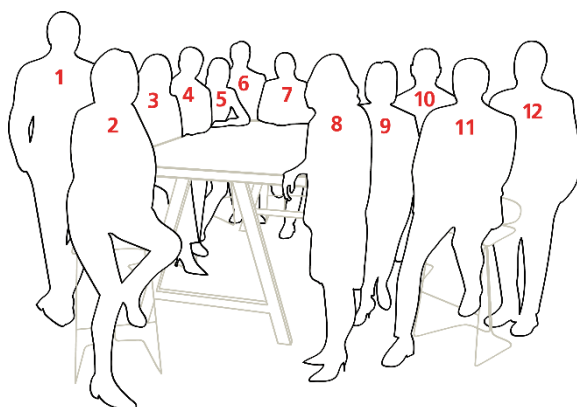


UBS Group AG operates under a strict dual-board structure, as mandated by Swiss banking law, and therefore the BoD delegates the management of the business to the GEB. Under the leadership of the Group CEO, the GEB was composed of 12 members as of 31 December 2022 and has executive management responsibility for the steering of the Group and its business. It develops the strategies of the Group, the business divisions and Group Functions, and implements the BoD-approved strategies.

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



- 1 Ralph Hamers**
Group Chief Executive Officer
- 2 Sabine Keller-Busse**
President Personal & Corporate Banking and
President UBS Switzerland
- 3 Naureen Hassan**
President UBS Americas
- 4 Edmund Koh**
President UBS Asia Pacific
- 5 Barbara Levi**
Group General Counsel
- 6 Markus Ronner**
Group Chief Compliance and Governance
Officer
- 7 Robert Karofsky**
President Investment Bank
- 8 Sarah Youngwood**
Group Chief Financial Officer
- 9 Suni Harford**
President Asset Management
- 10 Mike Dargan**
Group Chief Digital and Information Officer
- 11 Iqbal Khan**
President Global Wealth Management and
President UBS Europe, Middle East and Africa
- 12 Christian Bluhm**
Group Chief Risk Officer



Our evolution

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

In 2000, we acquired PaineWebber, a US brokerage and asset management firm with roots going back to 1879, establishing us as a significant player in the US. For nearly 60 years, we have been building our strong presence in the Asia Pacific region, where we are by far the largest wealth manager,¹ with asset management and investment banking capabilities.

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

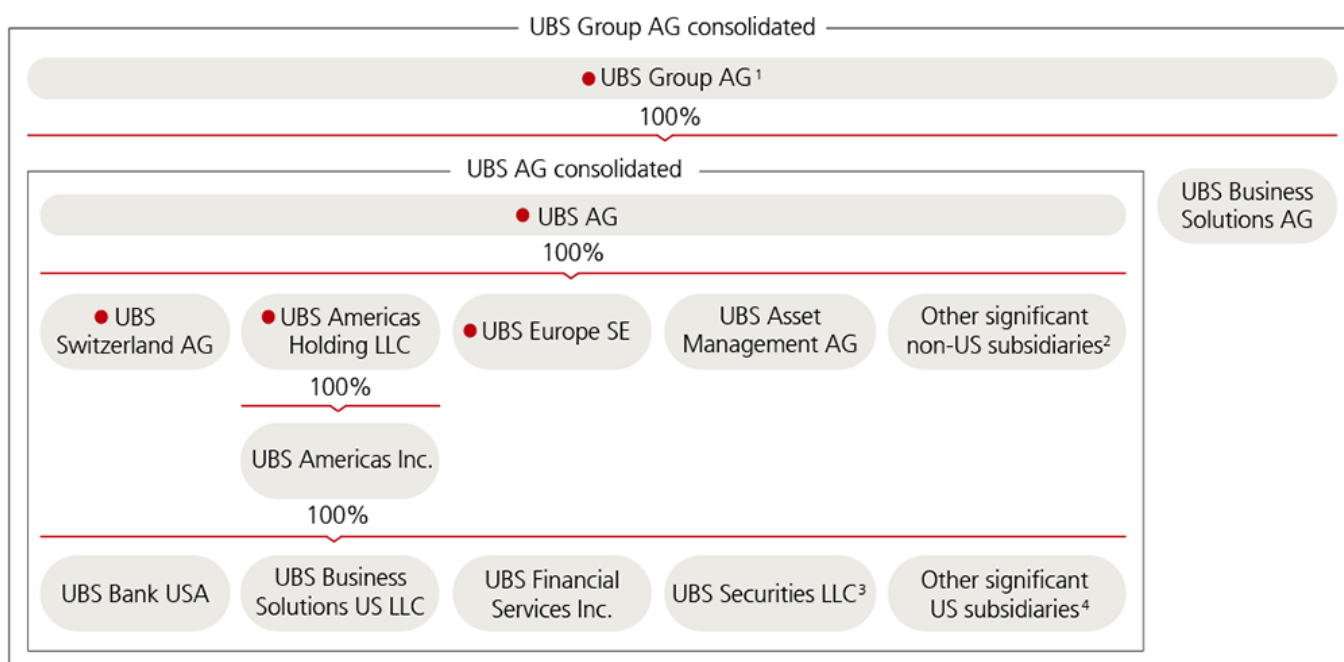
Today, we are a leading and truly global wealth manager,² a leading Swiss personal and corporate bank, a global, large-scale and diversified asset manager, and a focused investment bank.

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

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

- › Refer to ubs.com/history for more information
- › Refer to the "Risk factors" and "Regulatory and legal developments" sections of this report for more information

The legal structure of the UBS Group



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

¹ Refer to "Note 28 Interests in subsidiaries and other entities" in the "Consolidated financial statements" section of this report for more information about UBS's subsidiaries. ² Other significant non-US subsidiaries are generally held either directly by UBS AG or indirectly through UBS Switzerland AG or UBS Asset Management AG. ³ Of which 99% directly held by UBS Americas Inc. and 1% held by UBS Americas Holding LLC. ⁴ Other significant US subsidiaries are generally held either directly by UBS Americas Inc. or indirectly through UBS Financial Services Inc.

¹ Private banking assets under management excluding China onshore in 2021, according to Asian Private Banker.

² Statements of market position for Global Wealth Management are based on UBS's internal estimates and publicly available information about competitors' invested assets.

Our strategy, business model and environment

Management report

Our strategy

UBS – who we are

UBS is a leading and truly global wealth manager with focused asset management and investment banking capabilities, and the leading universal bank in Switzerland. We enable people, institutions and corporations to achieve their goals by providing financial advice and solutions. We have a capital-light, cash-generative and well-diversified business model, a strong culture, a balance sheet for all seasons, and a respected brand with over 160 years of history.

At UBS, we are driven by a common purpose: **Reimagining the power of investing. Connecting people for a better world.** This focus provides direction on the way forward and helps us build on our strengths.

We are focused on driving long-term growth while maintaining risk and cost discipline

Our objective is to generate value for our shareholders and clients by driving long-term growth. To accomplish this, we are building on our scale, content and solutions, while remaining disciplined on risk and costs. This will give us the capacity to invest strategically and will enable us to deliver against our financial targets and commercial aspirations, which are outlined in the “Targets, aspirations and capital guidance” section of this report.

Moreover, we are aiming to maximize our and our clients’ impact to create long-term sustainable value. We also have a responsibility toward our communities and employees. We have outlined selected environmental, social and governance (ESG) aspirations, which should support our financial and commercial targets.

Our business model helps us to achieve our growth ambitions

In early 2022, we set out our strategy, which we have been executing on since. Our growth plans aim to increase the value of our network of clients, connections and contributors, in which UBS’s scale, global reach and capabilities play a central role.

Our invested assets of USD 4.0trn are regionally diversified across the globe, making us a highly attractive partner to many sophisticated and specialized contributors. This enables us to give our clients access to a broader, more relevant and customizable range of solutions, which, together with our thought leadership and capabilities, position us well to become their partner of choice. Our plans are a reflection of the outlook on long-term demographic and social trends affecting wealth distribution, product demand and client experience. As we see clients’ needs changing, we also expect continued growth in alternatives and ESG products.

Clients are at the center of everything we do

Helping clients to achieve their financial goals is the essence of what we do. We aim to differentiate our service by delivering a client experience that is personalized, relevant, on-time and seamless. This is our promise to clients.

With evolving client needs, we are adapting by making our wealth coverage more needs-based, digital and effective. In wealth management, our focus remains on our core wealth, global family and institutional wealth clients, while expanding our coverage of entrepreneurs, women and the next generation of wealthy individuals. We are launching and scaling digitally customizable services, enhancing personally advised wealth with digital support, and expanding our custom offerings for global family and institutional wealth to cater for the different needs of our clients.

› Refer to “Clients” in the “How we create value for our stakeholders” section of this report for more information

We have a global, diversified business model

Regionally, more than half of our wealth management clients’ invested assets are in the US, which is the largest wealth pool globally. Here, we are focused on improving scale and profitability by deepening our relationships with core clients and by building out Global Wealth Management’s digital-led capabilities and banking platform.

In Asia Pacific, which is the fastest-growing wealth market, we are by far the largest wealth manager¹ and are building on that scale to drive growth. We are further developing our onshore business in China and working to offer our capabilities in a more cohesive way to our clients in Southeast Asia.

In EMEA, we are focused on improving profitability and driving focused growth, by streamlining our domestic footprint and providing holistic coverage for entrepreneurs.

Finally, in Switzerland, we have a highly integrated business and aim to expand our lead as the #1 universal bank. We are driving the digital transformation, improving the client experience, and focusing on capturing selected growth opportunities.

Our growth plans are underpinned by our asset management and investment banking capabilities

Our asset management business provides clients with a broad offering and exclusive access to premium customized services, while our investment banking capabilities support our growth plans across the client franchise with unique insights, execution and risk management. Close collaboration between our businesses also adds value for clients, including in private markets, alternatives and ESG products, and we are actively looking for additional such opportunities.

Sustainability drives our ambitions and informs our purpose

We partner with our clients to help them mobilize their capital toward a more sustainable world. At UBS, we want to meet clients' demands for a credible sustainable offering. We want to be the financial provider of choice for clients that wish to mobilize capital toward the achievement of the United Nations Sustainable Development Goals and the orderly transition to a low-carbon economy. In Switzerland, as the leading universal bank, we are helping finance the country's transition to net zero.

We are investing in our technology

The trusted and personal relationship with our clients across our businesses is evolving. Today, our clients expect us to provide our services more seamlessly across the firm in a personalized, relevant and timely fashion, with increasing demand for services that are digital first, anytime and anywhere. This presents an opportunity for us to fully embrace technology and make it a differentiator for our firm. To support our ambitions, we have established our technology strategy based on five key pillars: (i) Agile@UBS, a unified approach to working in an agile way across the firm to become faster and more adaptable; (ii) engineering excellence, as, in order to succeed in making technology a differentiator for our firm, we must attract and retain the best engineers, which is only possible by creating and fostering an engineering and digital culture of excellence; (iii) quarterly business reviews and digital roadmaps that help us to manage our technology investment portfolio in a more strategic and flexible way; (iv) automation, which increases efficiency and effectiveness; and (v) modern technology, which accelerates digitalization and efficiency.

We are becoming simpler and more efficient

In order to continuously increase efficiency and our capacity to invest, we are working to become simpler, by further streamlining and standardizing our functions, processes, entities and general ways of doing business, including our Agile@UBS approach, to ultimately improve the client experience.

¹ Private banking assets under management excluding China onshore in 2021, according to Asian Private Banker.

Our focus on technology

The world is faster, more digital and more data-driven than ever before, with clients increasingly demanding services that are digital first, anytime, anywhere, and underpinned by first-class technology. Through our technology strategy and five key pillars (Agile@UBS; engineering excellence; quarterly business reviews and digital roadmaps; automation; and modern technology), we aim to make technology a differentiator for our clients and employees, helping to deliver on our client promise. We are championing the adoption of a single, consistent, agile setup across the firm, driving transformational and sustainable approaches to our real estate and technology, building an engineering culture to be proud of, and fostering firm-wide operational resilience.

In 2022, our unified agile approach helped us drive greater business value, enhance the client experience and be more responsive and adaptable, with faster delivery of client digital solutions. Overall, approximately 18,500 employees transitioned to working in new Agile@UBS ways, and we continued our efforts to create and foster an engineering culture of excellence, in order to attract and retain the best engineers. Currently, approximately two-thirds of our global technology team within the Chief Digital and Information Office (CDIO) are engineers that are instrumental to responding to our clients' digital needs, while the remaining part of the technology team manages critical operational functions at UBS.

- › Refer to "Clients" in the "How we create value for our stakeholders" section of this report for more information about client digital solutions
- › Refer to "Employees" in the "How we create value for our stakeholders" section of this report for more information about agile ways of working

We are using the quarterly business reviews and digital roadmaps to help us manage our technology investment portfolio in a more strategic and flexible way. During 2022, we aligned 70% of our technology investments to agile teams that deliver incremental and continuous value to our clients. In addition, we also moved from multiple to one single UBS DevCloud toolchain and we are increasingly adopting an industry-standard set of metrics (DORA) to measure the efficiency of our software development process.

We believe the bank of the future will leverage a lean, modern technology estate and Cloud-based applications to provide clients with flexible, best-in-class service. As such, in 2022, we removed approximately 39,000 legacy technology components and decommissioned more than 600 applications, as a step to modernize our technology estate and enhance our cybersecurity position. We also announced the landmark expansion of our partnership with Microsoft, to accelerate our Cloud footprint over the next five years. As of 31 December 2022, 65% of our applications were on the public Cloud (i.e., servers not on UBS's premises) or on our private Cloud (i.e., servers on UBS's premises).

Targets, aspirations and capital guidance

We aim to create sustainable value through the cycle, which is reflected by our financial targets. In addition, we have outlined selected commercial aspirations, which support these targets.

Our capital guidance remains unchanged. We intend to operate with a common equity tier 1 (CET1) capital ratio of around 13% and a CET1 leverage ratio of greater than 3.7%. The Investment Bank is expected to represent up to one-third of Group risk-weighted assets and leverage ratio denominator.

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

The table below shows our targets, guidance and aspirations, based on reported results. Our aspirations on environmental, social and governance (ESG) are set forth in "Our focus on sustainability and climate" in the "How we create value for our stakeholders" section of this report.

- › Refer to "Society" and "Our focus on sustainability and climate" in the "How we create value for our stakeholders" section and to the "Corporate governance" section of this report for more information about ESG
- › Refer to the "Compensation" section of this report for more information about variable compensation
- › Refer to "Alternative performance measures" in the appendix to this report for definitions of and further information about our performance measures

Financial Targets

15–18% Return on CET1 capital

70–73% Cost / income ratio

10–15% GWM PBT² growth
over the cycle

Capital Guidance

~13% CET1 capital ratio

>3.7% CET1 leverage ratio

>5bn Share repurchases,
2023 financial year, in USD

Commercial Selected aspirations

>6trn Invested assets, in USD
across GWM, AM and P&C

>5% NNFGA¹ growth
GWM, over the cycle

¹ Net new fee-generating asset. ² Profit before tax.

Our businesses

Delivering one ecosystem

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

We see joint efforts as key to our growth, both within and between business divisions. We combine our strengths to provide our clients with better, innovative solutions and differentiated offerings, for example, our Global Family & Institutional Wealth (GFIW) offering with integrated global coverage. Initiatives such as the *Group Franchise Awards* encourage employees to look for ways to connect across teams and offer the whole firm to our clients.

How we deliver the whole firm to our clients – examples

| | |
|---|--|
| Global Family & Institutional Wealth | GFIW is a cross-divisional offering that leverages capabilities from the Investment Bank and client coverage from Global Wealth Management to address the execution, investment, risk management, financing and banking needs of family offices and their corporate entities, as well as entrepreneurs. Drawing on UBS's client ecosystem, we aim to connect clients with like-minded peers and recognized experts to exchange ideas and bring opportunities to life for a return and impact. Client coverage is managed via regional cross-functional teams (GFIW market pods). |
| Wealth management platforms | In our major booking centers outside the Americas, we use the Wealth Management Platform, which is shared between Global Wealth Management and Personal & Corporate Banking in Switzerland. In the Americas, we continue to build out our Wealth Management Americas digital capabilities. All our platforms can be navigated intuitively and support strong advisory capabilities across channels, helping our clients to benefit from a broader universe of products and services, simplified onboarding, and a better banking experience. |
| Separately managed accounts (SMAs) | We offer Global Wealth Management clients access to selected separately managed account strategies in the Americas with no additional management fees, including an extensive range of strategies managed by Asset Management. This enables our advisors to focus on delivering the best ideas, solutions and capabilities to our clients, regardless of where they originate. |
| Shifts and referrals | To best serve our clients according to their needs, and to foster growth, we operate a holistic collaboration framework within our universal bank delivery model in Switzerland. We initiate client shifts from Personal Banking to Global Wealth Management as their needs become more complex. Examples of referrals include corporate and institutional clients being introduced to Asset Management for mandate solutions or to the Investment Bank for capital market transactions, thus providing access to our global expertise, and entrepreneurs being introduced to Global Wealth Management, ensuring holistic coverage of their corporate and private needs. |
| Global Lending Unit | The Global Lending Unit delivers lending capabilities to clients of both the Investment Bank and Global Wealth Management. The unit provides product expertise to clients through collaboration with Investment Bank bankers and Global Wealth Management advisors. It is organized with a regional focus by grouping existing regional resources and competencies to best serve respective markets and clients. |
| Unified Global Markets | We continue to develop the cross-divisional strategic partnership between Global Wealth Management and the Investment Bank, focused on providing differentiated content that helps our clients identify the best trading opportunities, uncover new evidence, and generate fresh insights to meet their investment needs. Through our integrated approach, we provide structured, scalable investment products, asset and liability management solutions, financing alternatives and other value-added bespoke solutions that deliver a quality client experience and outcome by catering to specific coverage needs. |

Global Wealth Management

As a leading and truly global wealth manager,¹ we help our clients pursue what matters most to them. More than 20,000 employees around the world help to manage our clients' finances from locations in the Americas, Europe, the Middle East and Asia. Clients look to us to provide them with the tailored advice, expertise and solutions that they need, to protect and grow their wealth, today, tomorrow and for generations to come. The size and diversification of our global franchise, our bespoke cross-divisional solutions, and our premium brand and reputation set us apart.

We have strong positions in the largest and the fastest-growing regions – respectively, the US and Asia Pacific – and clearly defined regional priorities: scaling our franchise in the US; capturing growth in Asia Pacific; increasing profitability in EMEA; and increasing market share in Switzerland, our home market. Our focus remains on our core client base of ultra high and high net worth individuals through trusted relationships with our advisors, while expanding our coverage of entrepreneurs, women and the next generation of wealthy individuals. We are also strengthening our capabilities to serve our clients with the most sophisticated needs through our Global Family & Institutional Wealth (GFIW) offering.

As our clients' needs are changing, we are adapting our capabilities and coverage. We are therefore launching and scaling digitally customizable services, enhancing our personally advised wealth management offering with digital support and expanding our custom offerings for global family and institutional wealth to cater for the different needs of our clients.

Organizational changes

On 3 October 2022, Iqbal Khan became sole President Global Wealth Management. Since joining UBS in 2019, Mr. Khan had served as Co-President Global Wealth Management with Tom Naratil, who stepped down after nearly four decades with UBS.

In April 2022, to better cater to our clients with institutional-like needs that require a more bespoke offering, we created GFIW, a cross-divisional offering that leverages capabilities from the Investment Bank and client coverage from Global Wealth Management.

In August 2022, UBS and Wealthfront mutually agreed to terminate the merger agreement first announced in January 2022, under which Wealthfront was to be acquired by UBS Americas Inc. The two organizations will continue to explore ways to work together, and, as part of that process, UBS purchased a USD 69.7m note convertible into Wealthfront shares.

In the second half of 2022, we completed the sales of our wholly owned subsidiary UBS Swiss Financial Advisers AG, our domestic wealth management business in Spain and our US alternative investments administration business.

How we do business

Our distinctive approach to wealth management is designed to help our clients pursue what matters most to them by offering advice, expertise and solutions and delivering on our client promise to be personalized, relevant, on-time and seamless.

Our Chief Investment Office (the CIO) produces the *UBS House View*, identifying investment opportunities designed to protect and increase our clients' wealth over the longer term, directing the investment advice for and management of more than USD 1trn in fee-generating assets globally. Close integration between idea generation and product development enables us to deliver to clients CIO-aligned investment solutions, such as the investment modules in *UBS Manage Advanced [My Way]*. In Asia Pacific and Switzerland, the *Direct Investment Insights* function on our online banking platform enables clients to trade directly based on CIO insights via their smartphones and other digital devices.

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

Regional Chief Investment Officers leverage direct client feedback and insights from Client Analytics to deepen our understanding of clients' needs. Our product specialists deliver investment solutions, including our flagship investment mandates, as well as innovative long-term themes and sustainable investment offerings.

In addition to our investment products, we offer extensive mortgage, securities-based and structured lending expertise. We provide clients with advice on wealth planning, sustainability and impact investing, and corporate and banking services, while specialist teams also advise on art and collecting, family strategy and governance, philanthropy, next generation, and wealth transition.

- › Refer to our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors, for more information about sustainability matters



Clients

Listening to our clients' views, considering their risk profiles and their investment goals



Ideas in a UBS House View context
Well-researched investment advice, thought leadership



Design of solutions
Solutions aligned to the UBS House View: discretionary and advisory mandates, alternatives, structured solutions, etc.



Communications
Transmission to clients and advisors



Implementation & Execution
Positioning of solutions by advisors, seamless execution. Tailored advice to the clients

The investment advice for and management of more than USD 1trn in fee-generating assets globally, underpinned by robust risk management

Note: CIO develops a clear, concise and consistent investment assessment – the UBS House View, consisting of strategic asset allocation and tactical asset allocation.

Our private markets business gives clients access to investments in private equity funds, hedge funds and real estate. Furthermore, we have increased our offering of institutional-grade products, such as our *Co-Investment STRIPE* (strategic investments in private equity) opportunities, a feeder structure to enable clients to invest in closed-ended institutional private market funds. We have made it easier for private clients to access investment products and services suited to their individual preferences, e.g., by expanding access to our *Advice SI* and separately managed accounts (SMA) solutions in the US, and new targeted sustainability focus and impact offerings. Our Global Wealth Management clients have invested more than USD 20bn in discretionary mandates aligned to our sustainable investing strategic asset allocation. Additionally, we continue to broaden our offering across asset classes and themes, collaborating with external partners, such as Robeco Asset Management, Ambianta, Rockefeller Asset Management, Rethink Impact and Bridge Investment Group, to provide clients with access to differentiated sustainable- and impact-investing opportunities.

We are investing in our operating platforms and tools to better serve our clients' needs, improve their experience and enhance overall advisor productivity. As of 31 December 2022, more than 80% of invested assets outside the Americas were booked on our *Wealth Management Platform*. In the US, we are enhancing the Wealth Management Americas workstation for advisors, by delivering new functionalities, as well as driving simplification and improving our banking capabilities.

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

Our digital transformation aims to make us faster and more responsive and our services more convenient for our clients. Our clients benefit from a more seamless service across platforms and devices, and our advisors and the teams that support them are aspiring to deliver best-in-class content and solutions with increasing speed, relevance and personalization. We are developing new service models through which we seek to serve our clients according to their individual needs and preferences, based on scalable digital platforms, and underpinned by our client promise: providing service that is personalized, relevant, on-time and seamless.

For clients with complex financial needs, our GFIW offering addresses the execution, investment, risk management, financing and banking needs of family offices and their corporate entities, as well as entrepreneurs. In our core personally advised service model, we focus on expanding our coverage of entrepreneurs, women and next-generation clients, alternative investments as a differentiated source of returns, and increasing digital convenience for all our clients. We are making continuous improvements to our digital platforms, and have rolled out innovative new solutions, such as *Circle One* (in 2022), a global ecosystem that connects clients to experts, thought leaders and actionable investment ideas, and *UBS My Way* (in 2021), a next-generation portfolio management solution that enables clients to tailor their investments to their individual preferences. We have introduced the *UBS My Way* solution in Germany, Italy and Japan, and plan to also offer it in other markets. We have launched *WE.UBS*, the first digital-only offering launched by a global wealth manager in China, and we are planning the launch of further regional solutions.

We closely collaborate across business divisions to deliver UBS's best capabilities to our clients. Joint efforts with the Investment Bank, Asset Management and selected external partners enable us to offer clients broad access to financing, global capital markets and bespoke portfolio solutions. For example, we launched an SMA initiative in 2020 with Asset Management in the US and continued to expand our SMA offering throughout 2022. The initiative generated USD 21bn in net new money inflows in 2022, bringing total invested assets from this initiative to USD 125bn.

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

Our operations and our competitors

We operate a global business tailored to both regional and local clients, combining scale with an ability to provide local offerings to best serve our clients' needs. We are regularly recognized as a leading wealth manager by independent industry awards on a global, regional and country level.

The US is our largest market, accounting for around half of our invested assets, and we are recognized as the industry-leading firm in terms of overall client satisfaction.² In Asia Pacific, we are by far the largest wealth manager³ and have received numerous independent industry awards for several years in a row,⁴ recognizing our long-term commitment to the region. In our home market of Switzerland, we are the leading wealth manager⁵ and continue to extend our leading market position with above-market growth and investments into digitalizing our core business. In Western Europe, we have a strong footprint, which we further optimized with the sales of our domestic businesses in Spain (in 2022) and Austria (in 2021), and have been recognized as the best bank for wealth management several years in a row.⁶ In Latin America, we continue to expand our strategic partnership with Banco do Brasil, helping us remain the best bank for wealth management in the region.⁷ We were able to deliver a strong performance in Central & Eastern Europe, Greece and Israel despite substantial geopolitical challenges in parts of the region, supported by our GFIW offering. In the Middle East and Africa, we are building out our offering with further investment in local offices, such as Dubai and Qatar, emphasizing our commitment to the region and building on our local strength.⁸

Our competitors fall into two categories: competitors with a strong position in the Americas but more limited global footprints, such as Morgan Stanley and JPMorgan Chase; and competitors with similar international footprints but with a smaller presence than UBS in the US, such as Credit Suisse and Julius Baer. We have strong positions in the largest and the fastest-growing regions (respectively, the US and Asia Pacific). The size and diversification of our global franchise, bespoke cross-divisional solutions, and premium brand and reputation set us apart and would be difficult for our competitors to replicate.

2022 selected highlights

As of or for the year ended 31 December 2022



¹ Hedge fund businesses and private markets.

¹ Statements of market position for Global Wealth Management are based on UBS's internal estimates and publicly available information about competitors' invested assets.

² Highest in client satisfaction with full-service brokerage firms in the J.D. Power 2022 survey.

³ Private banking assets under management excluding China onshore in 2021, according to Asian Private Banker.

⁴ Awards won in two or more consecutive years include the Private Banker International Global Wealth Awards, PWM / The Banker Private Banking Awards, Euromoney Private Banking Awards, Asiamoney Asia Private Banking Awards, WealthBriefingAsia Awards and Asian Private Banker Awards.

⁵ Recognized as "Best Private Bank Switzerland" by Euromoney Private Banking Awards in 2022.

⁶ Recognized as "Western Europe's Best Bank for Wealth Management" by Euromoney Awards for Excellence in 2020, 2021 and 2022.

⁷ Recognized as "Latin America's Best Bank for Wealth Management" by Euromoney Awards for Excellence in 2022.

⁸ Recognized as "Middle East's Best Bank for Wealth Management" by Euromoney Awards for Excellence in 2020, 2021 and 2022.

Personal & Corporate Banking

As the #1 Swiss universal bank, we provide a comprehensive range of financial products and services to private, corporate and institutional clients. Personal & Corporate Banking is the core of our universal bank in Switzerland. As a market leader across all our business areas, we strive to grow at a rate faster than the Swiss market. We aim to be digital at the core by enabling our clients to satisfy most of their banking needs via our apps, while offering a user experience that is personalized, relevant, on-time and seamless.

How we do business

Our personal banking clients have access to a comprehensive, life-cycle-based offering. This includes a broad range of basic banking products, from payments to deposits, cards and convenient online and mobile banking, as well as lending (predominantly mortgages), investments and retirement planning services. In 2022, we were once again named the “Best Bank in Switzerland” by Euromoney. Our offering is complemented by our *UBS KeyClub* reward program, which provides clients in Switzerland with exclusive and attractive offers, some of which are offered in collaboration with our external partners. We also work closely with Global Wealth Management to provide our clients with access to leading wealth management services.

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

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

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

While continuing to focus on the needs of our clients, we need to better connect business and technology and develop new solutions in an agile way through fully empowered teams. The agile transformation is essential for every part of our organization. In 2022, we accelerated *Agile@UBS*, a unified approach to agile ways of working, which now includes approximately 5,000 colleagues based in Switzerland.

› Refer to “Clients” and “Employees” in the “How we create value for our stakeholders” section and to “Our focus on technology” in the “Our strategy” section of this report for more information about innovation and digitalization

In 2022, we continued to support our clients in the transition to a low-carbon economy. For example, we introduced two new products: *UBS Mortgage Energy* for our private clients and *UBS Loan Energy* for income-producing real estate, both providing preferential conditions for energy-efficient buildings. Furthermore, we entered into two partnerships with Swiss start-ups to remove greenhouse gas emissions from the atmosphere.

› Refer to our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information about sustainability-related topics

We collaborate with other companies to better satisfy our clients’ diverse needs. For example, in 2022, we further expanded our strategic partnership with Baloise. We both increased our stakes in the digital homeowner platform *Houzy*, which offers prospective and existing homeowners advice about financing, insurance and other property planning and management matters, and *Brixel*, which provides our clients real estate sales advice and services.

Our operations and our competitors

We operate primarily in our Swiss home market. With our Personal Banking and Corporate & Institutional Clients business units, we are organized into 10 regions, covering distinct Swiss economic areas. We operate a multi-channel approach, and we are constantly developing our digital and remote channels.

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

In Corporate & Institutional Clients, the cantonal banks, Credit Suisse and globally active foreign banks are our main competitors. We compete in basic banking services, cash management, trade and export finance, asset servicing, investment advice for institutional clients, corporate finance and lending, and cash and securities transactions for banks. We also support the international business activities of our Swiss corporate clients through local hubs in New York, Frankfurt, Singapore and the Hong Kong SAR. No other Swiss bank offers its corporate clients local banking capabilities abroad.

2022 selected highlights

As of or for the year ended 31 December 2022



¹ “Clients” refers to the number of unique business relationships operated by Personal Banking. ² “Clients” refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients.

Asset Management

Asset Management is a global, large-scale and diversified asset manager, with USD 1.1trn in invested assets. We offer investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and our Global Wealth Management clients.

Our strategy is focused on capitalizing on the areas where we have a leading position and differentiated capabilities – including sustainability, alternatives, indexed customization, and key markets in Asia Pacific – in order to drive further profitable growth.

Organizational changes

In April 2022, we completed the sale of our 49% shareholding in our Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc., to KKR & Co.

How we do business

We offer clients a wide range of investment products and services in different asset classes, in the form of segregated, pooled or advisory mandates, as well as registered investment funds in various jurisdictions. Our traditional and alternative capabilities include equities, fixed income, hedge funds (single- and multi-manager), real estate and private markets, and indexed and alternative beta strategies, including exchange-traded funds (ETFs), as well as sustainable- and impact-investing products and solutions.

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

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

During 2022, our Real Estate & Private Markets business launched a number of new innovative strategies, including UK Life Sciences and Cold Storage, and again achieved strong results in the latest GRESB Assessments,¹ with 100% of our submitted strategies (representing 96% of Real Estate & Private Markets’ direct pooled real estate and infrastructure strategies) achieving four- or five-star ratings.

We also continue to develop our award-winning² indexed businesses globally, including ETFs in Europe, Switzerland and Asia. To meet increasing client demand, we have focused on sustainable investing across our product range and provide customized solutions. Aligned with our purpose and strength in building partnerships, in 2022, we launched the UBS Global Equity Climate Transition Fund, in partnership with Aon, and the UBS Life Global Equity Sustainable Transition Fund, in collaboration with the Essex Pension Fund and Hymans Robertson. These funds provide investors with the ability to mitigate climate-related investment risks while also aiming to make a positive social impact aligned with specific United Nations Sustainable Development Goals.

Stewardship is a fundamental element of our sustainability strategy, and we are firmly committed to engaging with companies to support them on their transition journey. During 2022, we extended our Climate Engagement Program to include more industry sectors and built out our research to further extend the program to include natural capital. We also launched our new Social Engagement Program, with a focus on human and labor rights, diversity, equity and inclusion, and health, to enable us to provide clients with products that meet their criteria in these areas as well.

As a founding member of the Net Zero Asset Managers³ initiative, we are working on the foundational pillars required to deliver on our net-zero interim target, committing to align 20% of total assets under management to achieve a 50% carbon emissions reduction by 2030. In parallel, we are continuing to work with our clients, standard setters and industry bodies to help develop the new methodologies, tools and data needed by investors to mitigate risks and capture opportunities.

› **Refer to our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information about sustainability matters**

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

We have also continued our joint efforts with the other business divisions, enabling our teams to draw on the best ideas, solutions and capabilities from across the firm in order to deliver high-quality investment performance and experiences for our clients. For example, we launched a separately managed accounts (SMA) initiative in 2020 with Global Wealth Management in the US. We continued to expand our SMA offering throughout 2022, including the launch of new index SMA portfolios offering personalized tax management, and also a sustainable investing overlay enabling clients to select from six major themes, including climate change, pollution and governance. The initiative generated USD 21bn in net new money inflows in 2022, bringing total invested assets from this initiative to USD 125bn.

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

Our operations and our competitors

Our business division is organized into five areas: Client Coverage; Investments; Real Estate & Private Markets; Products; and the COO area. We cover the main asset management markets globally, and have a local presence in 23 locations across four regions: the Americas; Asia Pacific; EMEA; and Switzerland. We have nine main hubs: Chicago; the Hong Kong SAR; London; New York; Shanghai; Singapore; Sydney; Tokyo; and Zurich.

Geographically, we are building on our extensive and long-standing presence in the Asia Pacific region, including China, where we continue to invest in our products and presence, both on- and off-shore.

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

› **Refer to “Clients” in the “How we create value for our stakeholders” section and to “Our focus on technology” in the “Our strategy” section of this report for more information about innovation and digitalization**

Our main competitors are global firms with wide-ranging capabilities and distribution channels, such as AllianceBernstein, Allianz Asset Management, Amundi, BlackRock, Credit Suisse Asset Management, DWS, Franklin Templeton, Invesco, JPMorgan Asset Management, Morgan Stanley Investment Management, Schroders, SSGA Funds Management and T. Rowe Price, as well as firms with a specific market or asset-class focus.

2022 selected highlights

As of or for the year ended 31 December 2022



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

¹ GRESB is an independent organization providing validated ESG performance data and peer benchmarks.

² Passive Manager of the Year 2022, Insurance Asset Management Awards; ETF Provider of the Year, European Pensions Awards; UBS MSCI UK IMI SRI ETF, Winner: Ethical / Sustainable – Passive, AJ Bell FIT Awards; ETP Award 2022, Best Provider of Sustainable ETFs; and ranked fifth largest ETF provider in Europe as of December 2022 (source: *ETFBook.com*).

³ netzeroassetmanagers.org

Investment Bank

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

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

Our priority is providing high-quality execution and seamless client service, through an integrated, solutions-led approach, with disciplined growth in the capital-light advisory and execution businesses, while accelerating our digital transformation. In Global Banking, we position ourselves as trusted advisors via our client coverage and ability to provide access to the wider suite of UBS's capabilities.

Organizational changes

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

In April 2022, we created Global Family & Institutional Wealth (GFIW), a cross-divisional offering that leverages capabilities from the Investment Bank and client coverage from Global Wealth Management to address the execution, investment, risk management, financing and banking needs of family offices and their corporate entities, as well as entrepreneurs.

How we do business

Our business division consists of two areas: Global Banking and Global Markets, which are supported by Investment Bank Research. Our global coverage model utilizes our international industry expertise and product capabilities to meet clients' emerging needs.

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

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

Our Investment Bank Research business continues to publish research based on primary data to concentrate on data-driven outcomes and offers clients differentiated content about major financial markets and securities around the globe, with analysts based in 22 countries and with coverage of more than 3,000 stocks in 49 different countries. The Strategic Insights team provides timely and relevant information and insights to help clients quickly make decisions regarding their most important questions.

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

› Refer to “Clients” in the “How we create value for our stakeholders” section and to “Our focus on technology” in the “Our strategy” section of this report for more information about innovation and digitalization

The Investment Bank is focused on meeting clients’ needs, including those with respect to environmental, social and governance (ESG) considerations and sustainable finance, helping to reshape business models and investment opportunities and to develop sustainable finance products and solutions.

In Global Markets, we develop products and solutions designed to meet clients’ specific and increasingly detailed ESG objectives, such as thematic portfolio and investment solutions. We have also developed products related to carbon, such as emissions futures, and we joined *Carbonplace* as a founding member. *Carbonplace* is a platform that seeks to build infrastructure to scale voluntary carbon markets, with the aim of enabling firms such as UBS to offer clients the ability to buy, sell, hold and retire voluntary carbon credits.

Following the formation of the Global ESG Advisory team within Global Banking in 2021, in 2022, we provided strategic advisory and capital-raising services by specifically recognizing the structural shift in investor preferences toward ESG investment opportunities. To do so, we built our capabilities to assess a firm’s sustainability profile and to link such profiles to ESG investor demand. During 2022, we facilitated USD 48bn of green, social, sustainability and sustainability-linked (GSSS) bonds financing through 77 bond deals for our clients, including corporate clients, financial firms and sovereign issuers. UBS has a market-leading share of the Swiss franc GSSS bond market (Bloomberg, 2022), supporting domestic issuers and bringing international names to the Swiss market.

Our independent ESG research team collaborates with UBS sector analysts and *UBS Evidence Lab* primary research experts. The ESG research team works to identify touchpoints between markets, society and the environment, and to respond to ESG issues as they move onto investors’ agenda. By December 2022, the ESG team had published more than 90 *ESG Sector Radar* reports, which assessed the impact of ESG factors at the sector level (up from about 30 in 2021).

In 2022, we launched our *ESG Company Radar* research reports (more than 30 published by December 2022), which assess the impact of ESG factors at company level, and we have seen a very positive client response to those reports. Other types of ESG content include thematic and cross-sectoral collaborations, *ESG Keys* (which covers sustainable investing topics), and an increasing number of regional perspectives from our expanded ESG team, which works out of our offices in London, New York, the Hong Kong SAR, Tokyo and Sydney.

As part of our efforts to enhance governance and oversight, the Sustainable Investment Review Group was launched in June 2022 with the responsibility for reviewing ESG products within Global Markets. The Investment Bank Sustainable Finance Guidelines were established in 2022 to set out minimum criteria for ESG products, which are to be applied to new products. In addition, as part of the Group’s net-zero commitments, the Investment Bank has developed emission targets for 2030 for its lending business.

› Refer to the “Environment” section of our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information about the Investment Bank’s targets for its lending business

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

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

Our ambition is to have a simplified and modern technology landscape that is secure and stable, where we re-use more of everything and where the platforms work together to drive progress toward our overall strategic imperatives.

› Refer to “Clients” in the “How we create value for our stakeholders” section and to “Our focus on technology” in the “Our strategy” section of this report for more information about innovation and digitalization

Joint efforts between the Investment Bank and the other business divisions (for example, our work with Global Wealth Management on our new GFIW offering) and, externally, strategic partnerships (for example, UBS BB jointly with Banco do Brasil, focused on Latin America) continue to be key strategic priorities. Partnership with Global Wealth Management and Asset Management enables us to provide clients with broad access to financing, global capital markets and portfolio solutions. We expect these initiatives to continue to lead to growth by delivering global products to each region, leveraging our global connectivity across borders and sharing and strengthening our best client relationships.

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

Our operations and our competitors

Our two business areas, Global Banking and Global Markets, are organized globally by product. Our business is regionally diversified, with a presence in more than 30 countries. We cover the main investment banking markets globally, and have major financial hubs across four regions: the Americas; Asia Pacific; EMEA; and Switzerland.

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

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

2022 selected highlights

As of or for the year ended 31 December 2022



15% return on attributed equity



The Best Investment Bank
in Asia Pacific and Australia
(FinanceAsia, 2022)



GFIW launched in April 2022



#1 among international banks in Asia Pacific equity capital markets¹



Completed formation of our Global ESG Advisory team



USD 3.7bn of Derivatives & Solutions revenues, 7% growth

¹ Dealogic, 2022.

Group Functions

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

How we are organized

Group Functions

Group Functions is made up of the following major areas: Group Services (which consists of Chief Digital and Information Office, Communications & Branding, Compliance, Finance, Group Sustainability and Impact, Human Resources, Group Legal, Regulatory & Governance, and Risk Control), Group Treasury and Non-core and Legacy Portfolio.

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

Certain activities are retained centrally, where not directly related to the businesses, such as: Non-core and Legacy Portfolio; a small residual set of activities in Group Treasury; and certain other costs that are mainly related to deferred tax assets and costs relating to our legal entity transformation program.

Group Treasury

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

Non-core and Legacy Portfolio

Non-core and Legacy Portfolio consists of residual trades from businesses exited by the Investment Bank, mainly in 2012. Positions are typically left to run to contractual maturity, although trades are terminated early where such action is economically prudent, and the portfolio continues to be actively hedged. The portfolio also includes positions relating to legal matters arising from businesses transferred to it at the time of its formation.

- › Refer to “**Note 17 Provisions and contingent liabilities**” in the “**Consolidated financial statements**” section of this report for more information about litigation, regulatory and similar matters

Our environment

Market climate

Global economic developments in 2022¹

2022 was a challenging year for the global economy and most markets. After rebounding in 2021 from the COVID-19 pandemic, economic momentum slowed in 2022. The Russia–Ukraine war contributed to higher commodity prices, adding to rising inflation, which reached multi-decade highs in most major economies. This led to the fastest pace of monetary tightening by many leading central banks since the 1980s.

Against this backdrop, global GDP growth decelerated to 3.3% in 2022, from 6.5% in 2021, with headwinds continuing to mount in 2023. US GDP growth slowed to 2.1% in 2022, from 5.9% in 2021, as the Federal Reserve raised interest rates. Reduced energy supplies from Russia and tighter monetary policy from the European Central Bank added to headwinds for the Eurozone economy, where growth was down to 3.5% in 2022, from 5.3% in 2021. Weakness in the Eurozone contributed to a slowdown in Switzerland. Swiss GDP growth was down to 2.0% in 2022, from 4.2% in 2021. UK GDP grew by 4.0% in 2022, down from 7.6% in 2021, with momentum undermined by higher inflation, interest rate increases by the Bank of England (the BoE) and weaker global demand.

China’s economy grew by 3.0% in 2022, down from 8.4% in 2021, reflecting an economic drag from the government’s zero-COVID policy, along with a downturn in the nation’s real estate sector. Other leading Asian economies slowed less markedly, with GDP growth in India of 7.0% in 2022, down from 8.7% in 2021. South Korea’s GDP grew by 2.6% in 2022, down from 4.1% in 2021.

Inflation remained elevated in 2022. Exceptionally strong demand for goods emerged as economies reopened, overwhelming supply, and creating inflation. Just as this pressure faded, the Russia–Ukraine war led to a rise in energy and food prices, further boosting inflation. High inflation affected many major economies, averaging 8.5% globally in 2022. US inflation reached a high in June 2022 of 9.1% year on year, having risen at the fastest pace since 1982. However, inflation remained relatively muted in China, at 3%, and Japan, at 1.1%, with neither country experiencing an exceptional post-pandemic surge in demand. Inflation in Switzerland was also more muted, at 2% for 2022, due to a less-pronounced profit margin expansion than elsewhere.

Equity and bond markets fell in tandem in 2022, impacted by the combination of high inflation, monetary tightening and slowing growth. In 2022, the MSCI USA index fell by 19.8% and the MSCI Eurozone, the MSCI Switzerland and the MSCI China indices fell by 12.5%, by 17.1% and by 20.7% respectively (in local currency terms). However, more defensive markets outperformed, such as the MSCI UK index, which increased by 7.1%. Globally, value stocks proved more resilient, with the MSCI World Value index down 6.5%, compared with a 29.2% decrease in the MSCI World Growth index.

Bond markets also experienced negative returns, amid headwinds from higher inflation and central bank tightening. The Bloomberg Global Aggregate Bond index decreased by 16.2% in 2022. The yield on 10-year US Treasuries ended the year at 3.9%, up from 1.5% at the end of 2021. The yield on the 10-year Swiss government bonds increased from –0.2% at the start of 2022 to 1.6% by year-end, and the yield on 10-year German Bunds increased to 2.6%, up from –0.2% at the end of 2021.

Economic and market outlook for 2023

We expect 2023 to be a year of inflections, as investors try to identify turning points for inflation, interest rates, economic growth and financial markets against a complex geopolitical backdrop.

We expect inflation to be lower at the end of 2023 than it was at the end of 2022, as tighter monetary policy slows demand and squeezes profit margins. In addition, a repeat of the 2022 commodity price surge is, in our view, unlikely. Although future economic data will be key, and recent data suggests the decline in inflation has been slower than forecast in some economies, we expect the Federal Reserve, the European Central Bank, the Swiss National Bank, and the BoE to conduct the final interest rate increases of this cycle in 2023.

We expect the impact of higher interest rates to weigh on economic growth and earnings. Economic growth should hit bottom later in the year, if, as we expect, financial conditions start to ease. For 2023 as a whole, we expect the US economy to grow by 0.8%, with the Eurozone expanding 0.8% and Switzerland 0.4%. We forecast a contraction of 0.4% in UK GDP, with inflation still high, given the prospect of tighter fiscal and monetary policy. The relaxation of China's COVID-19 restrictions means a rebound of the Chinese economy is likely over the course of 2023. We expect China's GDP to expand 4.9% in 2023.

Geopolitical events look likely to remain a concern for investors. The Russia–Ukraine war poses energy and security threats to Europe and fosters the risk of a broader war. US–China tensions are unlikely to recede, given Beijing's focus on self-sufficiency, the Biden administration's moves to restrict trade on security grounds, and the potential for further discord over Taiwan. In addition, we are cognizant of an elevated risk of political tensions within and across countries, as well as their impact on society and financial markets.

[†] Comparative figures as of 28 February 2023.

Industry trends

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

Digitalization

While the technological maturity of the financial services sector increased greatly throughout the COVID-19 pandemic, digitalization in our industry is still developing at a rapid pace. The world is faster, more digital and more data-driven than ever before, with clients increasingly demanding even more seamless, personalized digital products and services tailored to their needs. Following the COVID-19 pandemic, regional and demographic differences in the acceptance and use of digital technologies are narrowing, thus continuing a high rate of digital adoption across all client segments. As a result, we see a gradual shift from digitalizing and automating existing processes to digital-as-default solutions, while still allowing for human interaction, a component that continues to be an important competitive advantage.

Digital communication, with clients and employees alike, has established new remote ways of working, enabling financial services providers to attract an even wider array of talent than before. The digitalization of the financial services sector has led to a structural shift in the workforce: more and better engineers are required to keep banks at the forefront of technology, thus putting them into direct competition with technology companies beyond the borders of the financial sector.

Continuous investment in technology is driving automation and simplification of labor-intensive processes, improving banks' operational efficiency and freeing up resources to focus on client needs. Decision-making is becoming increasingly data-driven, with advanced analytics and artificial intelligence (AI) enabling banks to address client needs in an even more targeted manner. In a consistently connected, open, and location-independent financial services ecosystem, the focus lies on adopting open-source technology, including cloud-native and modular architecture, to drive innovation and open exchange.

An open-finance environment combined with a shift in business models from in-person to digital channels bears the risk of increased digital vulnerability. Clients and other stakeholders are demanding ethical and responsible data gathering, storage and usage, making the protection of the firm's data a continued priority and focus. We also place great importance on managing the risk of cyberattacks.

Decentralized finance applications, including digital cash solutions, are gradually being adopted by the banking industry. Nascent technologies, such as distributed ledger technology, are expected to mature over the coming years and may reshape our industry. They provide opportunities to overcome friction within the existing financial system, increase banking efficiency, broaden access to underserved communities and make previously unviable products or services available to the financial services sector. They also further enable early-stage concepts, such as Web 3.0 and the metaverse, which could lead to an enhanced digital user experience.

Sustainability

The evolution of corporate business models, the growth in investors factoring the transition to a low-carbon economy and other sustainability themes into investment risk-and-return expectations, the ongoing shifts in societal values, and greater regulation are all increasing client demand for sustainable investing strategies.

In 2022, due to the challenging environment for investments, global open-ended fund and exchange-traded fund (ETF) total net assets decreased by 19%.¹ Despite this downturn, the industry overall saw continued inflows into sustainable investing products, while funds and ETFs that were not specifically categorized as sustainable faced outflows throughout most of 2022.¹

Our view is that the long-term growth trajectory for sustainable funds and ETFs plays to UBS's strengths, as we have been at the forefront of sustainable finance for over two decades, making us well placed to build on our offering and continue to develop the innovative products and solutions our institutional and private clients need.

› Refer to our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors, for more information about sustainability matters

Client expectations

As technology progresses, clients more rapidly redefine the way they live, work and interact with others. This is reshaping clients' expectations toward financial services firms, as their reference points are increasingly influenced by experiences with companies outside our sector, where technology-supported and data-driven solutions are progressively enabling a more personalized, relevant, on-time and seamless client experience. These services often focus on convenience, flexibility and personalization, and drive toward holistically addressing clients' needs and facilitating community building. Therefore, our franchise needs to evolve, as clients measure us against new standards. While the global pandemic further sharpened our industry's focus on digital-led solutions, recent geopolitical, macroeconomic and societal shifts have highlighted values such as security, stability and a credible plan toward a sustainable future. Additionally, many clients not only expect net-zero commitments from their financial services provider of choice, but they are also increasingly demanding investment, financing and advisory products and services that fit their own sustainability preferences and ambitions.

Consolidation

Many regions and businesses in the financial services sector are still highly fragmented. We expect further consolidation, with the key drivers being ongoing margin pressure, a push for cost efficiencies and increasing scale advantages resulting from fixed technology costs and regulatory requirements. Many players in financial services continue to seek increasing exposure and access to regions with attractive growth profiles, such as Asia and other emerging markets, through local acquisitions or partnerships, as well as acquiring new capabilities addressing changes in market dynamics and overall client demands. The increased focus on core capabilities and geographical footprint, as well as the ongoing simplification of business models to reduce operational and compliance risks, is likely to drive further disposals of non-core businesses and assets. While banks already face increasing challenges from digitalization needs and intensified competition, tightening macroeconomic conditions across major economies may create further pressure if a recessionary environment cannot be avoided.

New competitors

Our competitive environment is evolving. In addition to traditional competitors in the asset-gathering businesses, new entrants are targeting selected parts of the value chain. However, we have not yet seen a fundamental unbundling of the value chain and client relationships, which might ultimately result in the further disintermediation of banks by new competitors. Over the long term, we believe large platform companies entering the financial services sector could pose a larger competitive threat, given their strong client franchises and access to client data, if they decide to broaden the scope of their services. While fintech firms have gained greater momentum during the COVID-19 pandemic, recent macroeconomic developments have slowed down the trend, as funding appetite and valuations have trended downward. Although we expect our industry to recover in the near term, we do not expect a material disruption of our asset-gathering businesses. The trend for forging partnerships between new entrants and incumbent banks is continuing, as technology and innovation help banks overcome new challenges.

Regulation

In 2022, regulators further progressed in their policy developments with a focus on regulations around digital innovation and sustainable finance along with finalizing and implementing the remaining Basel III requirements.

Regulators increased their focus on AI, data and, particularly, digital assets, as a result of market turbulence. In the area of digital assets, the attention by regulators was on stablecoins, crypto assets and the prudential treatment of banks' exposures to digital assets, with recent efforts by supranational standard setters aiming to coordinate relevant national regulations. Central banks also continued to work on central bank digital currencies, which aim to provide new digital payment instruments that would be a direct liability of the central bank.

Sustainable finance and climate-related risks continued to be a key focus of policymakers in 2022, where we noted significant activity, particularly in the areas of disclosures regarding the impact of climate-related risks and corporate sustainability actions, classification or taxonomies of sustainability-related efforts and activities, and risk management of climate-related financial risks. The multitude of developments at the jurisdictional level has the potential to create a fragmented policy landscape. These developments add to the rapidly evolving societal expectations toward financial institutions.

The national implementation of the remaining Basel III elements continues to be another important focus area. The authorities in Switzerland and the UK launched consultations on their approaches in 2022 and Switzerland changed the expected date on which the final Basel III guidelines are to enter into force, from 1 July 2024 to 1 January 2025. The EU authorities continued with the parliamentary debates. We expect the US authorities also to start their consultation process in the first half of 2023. Although the timing of the implementation seems broadly aligned across Switzerland, the EU and the UK at this stage, we still see a significant risk of divergence regarding the content of the provisions.

In addition, regulatory authorities continued to refine existing regulations, including the finalization of the Swiss too-big-to-fail framework and revision of the EU anti-money laundering framework, as well as efforts to enhance operational resilience. Following Brexit, the UK started a holistic review of its regulatory framework for financial services, while both the EU and the UK are updating their wholesale markets and investor protection rules. Furthermore, the focus of regulatory authorities is also increasingly moving toward corporate responsibility, diversity and inclusion. Finally, digitalization and shifts in the macroeconomic and interest rate environment increased the focus on operational resilience and financial stability risks, including the assessment of existing policy gaps relating to the non-bank financial intermediation sector.

Many of these developments are taking place in an environment characterized by significant political uncertainties, including increasing geopolitical tensions and the Russia–Ukraine war which resulted in the adoption of unprecedented sanctions packages introduced by various jurisdictions against Russia and Belarus. This led to significant implementation efforts that were closely coordinated between authorities to ensure consistency in interpretation and implementation. Political uncertainties and geopolitical tensions are posing additional challenges to the provision of cross-border financial services.

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

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

Wealth creation²

2022 began with the global high net worth individual population and financial wealth both at record highs, with surging financial markets and recovering economies enabling the global high net worth individual population and financial wealth to increase 7.8% and 8.0%, respectively, in 2021.

Since then, falling equity and bond markets, slowing economic growth, and US dollar strength, mean that global wealth growth in 2022 was likely substantially lower, or negative, although we continue to see the longer-term outlook for wealth creation and financial asset appreciation as positive.

As of the end of 2021, 46% of global financial wealth was concentrated in North America, followed by Asia (26%) and Europe (21%).³

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

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

Wealth transfer

Demographic and socioeconomic developments continue to generate shifts in wealth. Over the next few decades, more than USD 30trn of wealth will be passed between generations. The majority will move from the silent generation and older baby boomers to younger baby boomers and Gen X (jointly encompassing individuals currently between the ages of 42 and 65).²

As a group, these “next gens” are likely to have a longer investment horizon, a greater appetite for risk, often combined with a desire to use wealth to create a positive societal impact alongside investment returns. Meanwhile, as shown in the Wealth-X report “World Ultra Wealth Report 2022,” the proportion of ultra-wealthy⁴ women is gradually rising, reflecting changing cultural attitudes and growth in female entrepreneurship, as well as wealth transfers between generations.

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

Investing in an inflationary world

As a result of the major macroeconomic shocks in 2022, investors are facing a very different landscape to the one seen over the past decade, with significant market volatility, higher interest rates and inflation levels not seen for a generation. This environment has created opportunities in the bond market, and investors are once again being rewarded for taking risks in fixed income. Investors also continue to diversify into illiquid alternatives (including private equity, property, hedge funds and infrastructure) that can deliver compelling longer-term risk-adjusted returns, while also looking for low-cost, efficient passive strategies across liquid markets. The breadth of our investment expertise and capabilities enables us to find the right solutions for clients across asset classes and regions.

¹ Morningstar Direct, as of or for the year ended 31 December 2022. Encompasses worldwide open-ended funds and exchange-traded funds, excluding money market funds. Sustainable funds are identified on the basis of Morningstar’s Sustainable-Investment framework. © Morningstar 2023. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and / or its content providers; (2) may not be copied, adapted or distributed; (3) is not warranted to be accurate, complete or timely; and (4) does not constitute advice of any kind, whether investment, tax, legal or otherwise. User is solely responsible for ensuring that it complies with all laws, regulations and restrictions applicable to it. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information, except where such damages or losses cannot be limited or excluded by law in your jurisdiction. Past performance is no guarantee of future results.

² All the figures are from the Capgemini World Wealth Report 2022 unless otherwise stated and refer to the 2021 financial year. The Capgemini World Wealth Report 2022 segments wealth as follows: those with wealth of greater than USD 30m are classified as ultra high net worth individuals; USD 1m to USD 30m for high net worth individuals.

³ Based on BCG Global Wealth Report 2022, which refers to the 2021 financial year. Wealth concentration is based on financial assets by regions and excludes real assets and liabilities.

⁴ World Ultra Wealth Report 2022, Altrata. The report defines those with wealth of greater than USD 30m as ultra high net worth individuals (also referred to as the “ultra wealthy”).

How we create value for our stakeholders

| Stakeholder group | Stakeholder needs: what our stakeholders expect from us | Value proposition: how we create value for our stakeholders | Key topics discussed: what was important to our stakeholders in 2022 | Stakeholder engagement: how we engage with our stakeholders |
|-------------------|--|--|--|---|
| Clients | <p>Advice on a broad range of products and services from trusted advisors, addressing increasingly complex needs</p> <p>A mix of personal interaction with our advisors in combination with digital and remote services (convenient, seamless digital banking)</p> <p>High-quality solutions and the highest standards in terms of asset safety, data and information security, confidentiality, and privacy</p> <p>A combination of global reach and local capabilities targeting positive investment outcomes</p> <p>Competitively priced products and services, risk management, and the provision of liquidity</p> | <p>Delivering tailored advice and customized solutions, using our intellectual capital and digital platforms</p> <p>Developing new products, solutions and strategic partnerships in response to clients' evolving needs</p> <p>Providing access to global capital markets and bespoke financing solutions</p> <p>Meeting increasing sustainable investment and private markets demand from clients</p> <p>Implementing cross-divisional offering with fully aligned front-to-back setup</p> | <p>Investing in times of uncertainty: high inflation, market volatility, rising interest rates, slowing economic growth and increasing geopolitical tensions</p> <p>Holistic goal-based financial planning</p> <p>Sustainable finance and investing opportunities</p> <p>Data privacy and security</p> <p>Products and services, including those around digital banking</p> | <p>Personalized meetings</p> <p>A blend of virtual and in-person client events and conferences, including information about key developments and opportunities</p> <p>Client satisfaction surveys</p> <p>Increasing levels of digital interaction with clients</p> <p>Monitor client feedback and complaint handling</p> |
| Investors | <p>Disciplined execution of our strategy leading to attractive capital returns through dividends and share repurchases</p> <p>Comprehensive and clear disclosures on quantitative and qualitative data necessary to make informed investment decisions</p> <p>Recognizing and proactively addressing strategic opportunities and challenges</p> | <p>Executing our strategy with discipline and agility as the external environment evolves, while aiming to deliver cost- and capital-efficient growth</p> <p>Providing relevant, transparent, timely and reliable public disclosures</p> | <p>Strategic plans and targets, and execution against them</p> <p>Structural growth in and return potential of our businesses</p> <p>Cost efficiency and ability to generate positive operating leverage</p> <p>Ability to protect or grow profits in a higher-inflation and rising-interest-rate environment</p> <p>Incorporation of environmental, social and governance (ESG) factors into the business model, compensation and risk management</p> | <p>Financial reports, investor and analyst conference calls, and webcasts, as well as media updates about our performance or other disclosures</p> <p>General meetings of shareholders</p> <p>Investor and analyst meetings</p> <p>Digital interactions with investors as a result of COVID-19 pandemic restrictions and hybrid-working patterns in the industry, with limited impact on pre-pandemic meeting schedules and participation, given reliable virtual solutions; the 2022 Annual General Meeting was held virtually</p> |
| Employees | <p>A world-class employer with the expertise and breadth of opportunity to empower successful careers</p> <p>A collaborative, engaging, inclusive and supportive workplace culture</p> <p>An environment that provides a sense of belonging and opportunities to positively impact colleagues, clients, shareholders and society</p> <p>Engaging work and career growth opportunities, including future-capabilities development, and rewards for performance and impact</p> | <p>Hiring talented, diverse employees and investing in development, now and for the future</p> <p>Fair, effective people management and compensation policies and practices</p> <p>Further strengthening our workplace culture to live up to our purpose, and providing a framework for employees to develop their careers</p> <p>Hybrid- and flexible-working arrangements, along with holistic support to empower employees and foster resilience</p> <p>Comprehensive data analytics that enable leaders to make better and faster decisions to meet business needs</p> | <p>Living up to our purpose and culture, enabled by our three keys to success</p> <p>Fair and equitable pay practices</p> <p>Focusing on impact and outcome in our performance management processes</p> <p>Hybrid-, flexible- and home-working arrangements</p> <p>Building a diverse, equitable and inclusive workplace</p> <p>Fostering internal mobility and providing long-term career prospects</p> <p>Accelerating new ways of working, particularly through Agile@UBS</p> | <p>Regular CEO and senior leadership communications and events, along with divisional, regional and functional sessions with employees</p> <p>Group-wide targeted surveys and other employee engagement activities</p> <p>Group Franchise Awards and the Kudos peer-to-peer recognition program</p> <p>Health and well-being events and offerings, employee networks and volunteering opportunities, and hybrid- and flexible-working arrangements</p> |
| Society | <p>Facilitation of economic development that is sustainable for the planet and humankind</p> <p>Maximization of our positive effects and minimization of any negative effects on society and the environment</p> <p>Proactive management of the environmental and societal impacts of our businesses</p> | <p>Promoting significant and lasting improvements to the well-being of communities in which we operate</p> <p>Taking an active role in the transition of our economy toward environmentally and socially sustainable solutions</p> <p>Advising clients to align their business models with ESG parameters and the United Nations Sustainable Development Goals</p> | <p>Sustainable finance</p> <p>Our climate strategy</p> <p>Our client and corporate philanthropy efforts</p> <p>Furthering the economic and social inclusion of those we support</p> | <p>Grant making and volunteering through strategic community partners</p> <p>Participation in forums and round tables, as well as industry-, sector- and topic-specific debates</p> <p>Dialogues with regulators and governments; interaction with NGOs</p> <p>Launch of our Ukraine and Pakistan Relief Funds</p> <p>Support for COVID-19-related aid projects across our communities</p> |

Clients

Our clients are the heart of our business. We are committed to building and sustaining long-term relationships based on mutual respect, trust and integrity. Understanding our clients' needs and expectations enables us to best serve their interests and to create value for them, underpinned by our client promise that we aim to differentiate our service by delivering a client experience that is personalized, relevant, on-time and seamless.

Our clients and what matters most to them

There is no typical UBS client, but each of our clients expects outstanding advice and service, a range of choices, and an excellent client experience.

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

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

Personal & Corporate Banking serves a total of approximately 2.6 million retail clients² and more than 100,000 corporate clients,³ companies ranging from start-ups to multi-nationals, including specialized entities, such as pension funds and insurers, real estate companies, commodity traders and banks. Our clients include more than 30% of Swiss households, more than 90% of the 250 largest Swiss corporations and more than 50% of midsize to large pension funds in Switzerland. They look for financial advice based on their needs at each stage of their individual or corporate journey. We aim to deliver outstanding advice to all via a multi-channel approach. Clients have access to digital banking, a wide network of branches and remote advice. These channels are designed to deliver a quality and convenient client experience with 24/7 availability, security and value for money, resulting in high levels of client satisfaction. Clients are also offered a broad range of products and services in all relevant areas: basic banking, investing, financing (including mortgages), retirement planning, cash management, trade and export finance, global custody, and company succession, among others.

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

The Investment Bank provides corporate, institutional and wealth management clients with expert advice, financial solutions, deal execution and access to the world's capital markets. Our business model is specifically built around our clients and their needs. Corporate clients can access advisory services, debt and equity capital market solutions, and bespoke financing through our Global Banking business. Our Global Markets business focuses on helping institutional clients engage with local markets around the world, offering equities and equity-linked products, and foreign exchange, rates and credit products and services. Our differentiated content offering is underpinned by Investment Bank Research. The differentiated nature of our research provides access to insight-ready data sets for thousands of companies, and aims to give clients an informational edge. In 2022, our experts produced more than 40,000 research reports, attracting seven million reads.

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

Enhancing the client experience through innovation and digitalization

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

In Global Wealth Management, we develop and deploy digital tools that help deepen and enhance the relationships we have built with our clients, a factor that differentiates UBS. Clients expect the convenience and speed that technology offers but, at the same time, they feel that a personal experience with advisors is more important than ever. Our advisors use digital tools to spend more time with clients and better evaluate the full scope of their financial lives. Our clients appreciate digital tools that improve their experience. They also want multiple ways in which to interact conveniently with their advisors. Clients increasingly embrace the use of digital and mobile tools. We continue to introduce new and better tools to meet and exceed clients' expectations. For example, our *UBS Manage Advanced [My Way]* solution offers clients in selected markets access to more than 60 professionally managed investment modules. Clients can personalize beyond what they can normally do in a discretionary solution while continuing to reap the benefits of continuous portfolio monitoring and risk management. The app is interactive; clients can work with their advisors to design their own portfolio based on individual preferences and priorities, easily including elements such as sustainable investing modules or themes. We intend to further extend access and upgrade client convenience and experience with *UBS Manage Advanced [My Way]*. In 2022, *UBS Circle One* was launched in Asia Pacific. This digital platform aims to bring to clients the best of UBS's global ecosystem for investing, connecting them with experts, thought leaders and actionable ideas delivered by the CIO in an engaging and convenient way. As a trusted brand offering premium content, we see opportunities to deliver our expertise to a broader set of clients, combining digital experience with human advice. Progress continues on our multi-year strategy to serve clients via two platforms: the *Wealth Management Americas Platform* in the US and the *Wealth Management Platform* outside the US.

In Personal & Corporate Banking, we further strengthened our leadership position as the leading digital bank in Switzerland by continuing to develop simple, smart, secure and sustainable solutions for our clients. In 2022, an average of 74% of Personal Banking clients used Digital Banking, and an average of 56% logged in via Mobile Banking. This demonstrates that our clients are engaging more frequently with us through our online and mobile capabilities. Our continued growth in digital enrollment and engagement led us to take the next evolutionary step, the introduction of a dedicated digital assortment line: *UBS key4*. Within six months of its launch in May 2022, we introduced a comprehensive digital product shelf. *UBS key4 banking* offers new Personal Banking clients 24/7 mobile account opening via secure, biometric self-identification and instant credit card availability, with attractive exchange rates. With *UBS key4 smart investing*, *UBS key4 gold*, *UBS key4 pension 3a* and *UBS key4 FX*, our Swiss clients benefit from new seamless digital-only investing, pension and payment solutions. We have also delivered products and personalized care for our corporate clients, whose digital adoption has accelerated further in recent years, with an average of 80% of such clients using Digital Banking in 2022. With *UBS key4 business*, small and medium-sized enterprises that are in the process of being formed can open their accounts more quickly and entirely paperlessly, and access comprehensive solutions beyond banking via our *UBS key4 business marketplace*. Complementing our dedicated digital offering, we also continued to further build out our hybrid touchpoints with clients, such as *Remote Sales & Advice* for private clients and our *Corporate Hybrid Bank*. In addition, to give clients access to market-leading solutions beyond banking, we have expanded our network of partnerships, such as our targeted long-term collaboration with Baloise, investing in homeowner platforms, such as *Houzy* and *Brixel*. Furthermore, we entered into a strategic partnership with ETH Zurich, a Swiss Federal Institute of Technology, to promote innovation and entrepreneurship in Switzerland. We have also continuously developed our sustainability offerings, such as *UBS Mortgage Energy*, which helps clients with the transition to more sustainable heating, and *UBS Loan Energy*, thanks to which clients benefit from attractive interest rates and comprehensive advice for their low-energy investment properties.

In Asset Management, we are accelerating our investment in digitalization. We have extended our digital client relationship management pilot tools, technologies and data capabilities to enhance the experience of, and service for, our clients, to foster innovation and to support alpha generation. For example, we are developing a scalable platform to enable more efficient development and management of theme-based investment products to meet growing client demand. To simplify and enhance our client service, we are introducing improvements in client and data analytics.

The Investment Bank strives to be the digital investment bank of the future, with innovation-led businesses driving efficiencies and solutions. In 2021, we announced the creation of a *Digital Platforms* business area within the Investment Bank, to work on transformation through innovation, experimentation and external partnerships. In Global Markets, our *Technology-Enhanced Sales* (TES) teams work in close partnership with our Data Intelligence, Chief Digital and Information Office and Client Coverage teams to embed our data and technology capabilities across all client teams and enhance our client service. TES enables clients to choose where and how we deliver content and uses data modeling to personalize the content they receive. *UBS Neo*, our award-winning multi-channel platform and enterprise ecosystem for digital clients, lets our professional and institutional clients access a comprehensive suite of products and services covering the full investment life cycle. *Investment Bank DigiOps*, our Operations team working in collaboration with the Chief Digital and Information Office on digital innovation projects, is enhancing the client experience through a digital platform that continues to make progress on simplifying Operations' technology infrastructure, increasing front-to-back efficiency and enhancing our decision-making and relevance to clients. By utilizing distributed ledger technology, Global Markets is transforming the business models of products where the Investment Bank has been strong historically. One example is *UBS key4 gold*, our global physical gold transaction network of retail investors, gold merchants, institutional investors and vault providers that enables clients to buy and sell at interbank prices, which saw growth in 2022. A tokenized representation of underlying physical gold provides fractional ownership with low-friction transactional capability. Our vision is to accelerate the tokenization of financial products traded by UBS clients. In November 2022, we launched and issued the world's first digital bond that is publicly traded and settled on both blockchain-based and traditional exchanges. Global Banking has also prioritized the client experience. *Global Banking Strategic Development Lab* uses data science, predictive analytics and quantitative models to develop solutions for our businesses. *UBS-GUARD* applies data science and predictive analytics to Global Banking business users, predicting the risk of companies becoming the targets of activists, identifying deal opportunities and helping navigate client pitches.

Engaging with our clients

Our clients' needs and their preferred communication channels continually evolve. Our objective is to engage with clients in the ways most convenient for them. We use a variety of channels to engage with clients, including regular client relationship and service meetings, as well as various corporate roadshows and dedicated events. In the post-COVID "new normal," we observe an increase in client interaction across all channels, and have changed to a mix of hybrid and in-person events.

Global Wealth Management interacted with clients via various settings in 2022, from personalized private briefings with subject matter experts to segment-specific virtual and in-person events and large-scale initiatives. We utilize marketing campaigns, events, advertising, publications and digital-only solutions to help drive greater awareness of UBS among prospective clients and reinforce trust-based relationships between advisors and clients.

Personal & Corporate Banking holds regular client events (leveraging a number of formats such as webcasts and in-person, virtual or hybrid events), covering a wide range of topics. In 2022, we increasingly engaged with clients via online channels, such as social media, online displays and search engines, and further decreased our use of traditional channels.

In Asset Management, we have a consistent program of client events and engagement activities throughout the year. These include our flagship conferences, such as the annual *UBS Reserve Management Seminar*, and we held our second annual *Alternatives Conference* in 2022. Alongside this, our teams continued the high level of interaction with clients globally in 2022, facilitated by new digital tools, and our publication of macro insights and thought leadership to provide timely insights into rapidly evolving markets. We also hosted a broad range of hybrid events, including our investment series, to help our clients better understand market challenges and opportunities, and we continued to engage with clients through our social media and online channels.

The Investment Bank hosted more than 175 investor conferences and educational seminars globally in 2022, covering a broad range of macro, sector, regional and regulatory topics. Almost all of those conferences were held virtually. More than 40,000 clients took part in such events in 2022, providing insight and access to our own opinion leaders, policy makers and leading industry experts. We leverage our intellectual capital and relationships and use our execution capabilities, differentiated research content, bespoke solutions, client franchise model and global platform to expand coverage across a broad set of clients. *UBS Neo Question Bank* is the largest global database of market-related questions asked by professional investors, while *UBS Live Desk*, built within the *UBS Neo* platform, provides clients with a stream of fast-paced commentary from UBS traders. Our clients' needs and their preferred communication channels have continued to evolve. Our objective is to engage with clients in the manner most convenient for them. Following the pandemic, we have observed an increase in client interaction through all channels, both digital and in-person.

How we measure client satisfaction

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

Global Wealth Management is increasingly using technology and analytics capabilities to collect and respond to client feedback. Our digital client feedback tool lets clients submit, via mobile and the web, input about overall satisfaction with advisors and UBS, and share key topics they wish to discuss with their advisors. Advisors and their teams have seamless, real-time access to client feedback, enabling them to be highly responsive. The tool is available in the US and Asia Pacific, as well as most EMEA countries. In 2022, our client satisfaction level and net promoter score (NPS) remained high.

Personal & Corporate Banking has conducted annual surveys of clients in Switzerland since 2008, consistently covering all private and corporate client segments annually since 2015. Clients provide feedback on their satisfaction with regard to various topics (e.g., UBS overall, branches, client advisors, products and services) and indicate further product or advisory needs. Survey responses are distributed to client advisors, who follow up with each respondent individually. In 2022, our client satisfaction levels and NPS remained high, with client satisfaction regarding mobile banking at an all-time high.

The Quality Feedback system in Global Wealth Management and Personal & Corporate Banking provides a comprehensive and systematic platform to receive and process client feedback and suggestions. We receive feedback in various forms and through different client touchpoints. Client feedback, including complaints and suggestions, is vitally important, as it shows direct and unfiltered client needs, supports the development and introduction of new products and services, and, therefore, fosters the optimization of our offering in a client-focused manner. By addressing client feedback, we aim to strengthen client relationships, improve client satisfaction and make tangible improvements to our services. By sharing their views, clients contribute to quality improvements at all levels. We aim to respond to each individual who provides feedback. In 2022, key topics and enhancements centered mostly around services rendered by our hotlines and in our branches, cards, and Digital Banking features.

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

The Investment Bank closely monitors client satisfaction via individual product coverage points. Direct client feedback is actively captured and tracked in our systems. Internal regional forums serve as a platform for senior management to discuss client relationships, possibilities for improvement, potential opportunities and specific client issues. Other processes are in place to enable consolidated findings to be shared within UBS as appropriate. The Investment Bank also closely monitors external surveys, which provide feedback across a range of investment banking services. We continue to make progress in simplifying our technology infrastructure, focusing on increasing front-to-back efficiency and enhancing our decision-making and relevance to clients. In the second quarter of 2022, we extended our Annual Global Markets Client Survey to a broader population looking to measure client satisfaction, and the ease and frequency of doing business. We also looked to understand the key drivers of each measure, both to refine individual coverage but also as an additional input into our investment and development plans. The most significant drivers of client satisfaction remain relationship management coverage and connectivity, liquidity and competitive pricing. We thoroughly evaluate the feedback we receive, including complaints from clients, and take measures to address key themes identified.

¹ Euromoney Private Banking and Wealth Management Survey 2022: No. 1 in ESG / Sustainable Investing.

² "Clients" refers to the number of unique business relationships operated by Personal Banking.

³ "Clients" refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients.

Investors

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

Investor base

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

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

Alignment of interests

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

- › Refer to “Our compensation philosophy” in the “Compensation” section of this report for more information

We are focused on driving long-term growth while maintaining risk and cost discipline

Our objective is to generate value for our shareholders and clients by driving long-term growth. To accomplish this, we are building on our scale, content and solutions, while remaining disciplined on risk and costs. This will give us the capacity to invest strategically, and will enable us to deliver against our financial and commercial targets.

Moreover, we are aiming to maximize our and our clients’ impact to create long-term sustainable value. We also have a responsibility toward our communities and employees. We have outlined selected environmental, social and governance aspirations, which should support our financial and commercial targets.

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

- › Refer to the “Targets, aspirations and capital guidance” section of this report for more information

Active capital management to enable growth and deliver attractive shareholder returns

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

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

Our third priority is returning capital to shareholders in the form of a progressive dividend and share buybacks. For 2022, the Board of Directors is proposing a dividend to UBS Group AG shareholders of USD 0.55 per share. We also bought back USD 5.6bn of our shares. Looking ahead, we intend to buy back more than USD 5bn of shares in 2023.

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

Communications

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

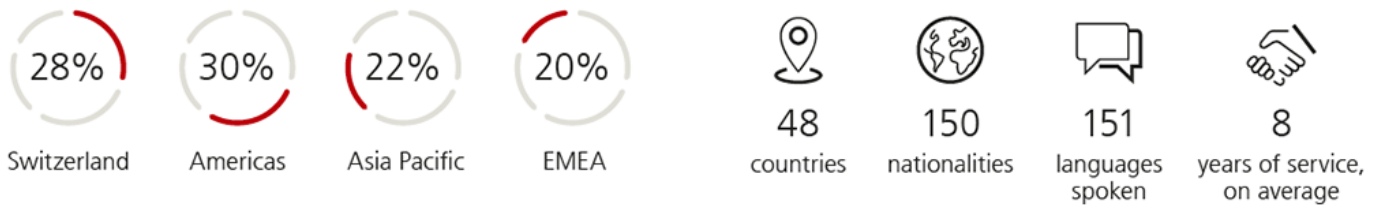
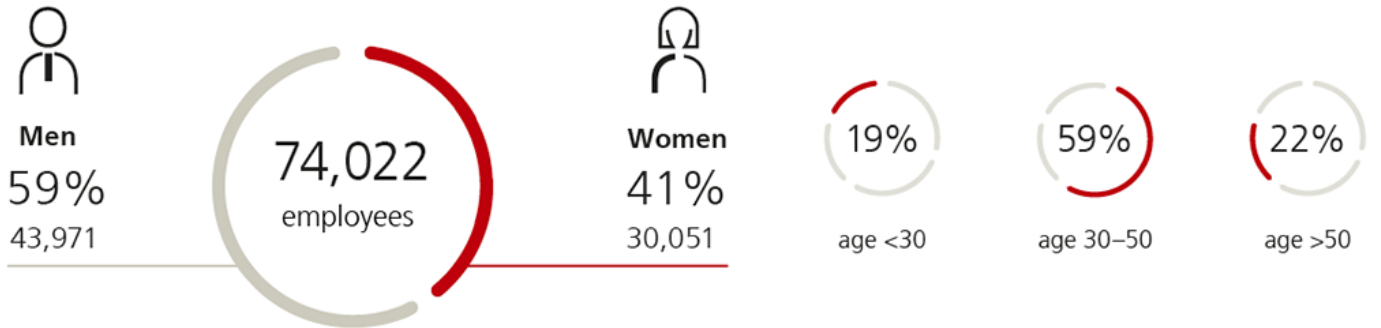
IR and our Corporate Responsibility function work together and interact with any investors interested in sustainability topics relevant to UBS and wider society.

- › Refer to the first part of the “Corporate governance” section of this report and “Information policy” in that same section for more information
- › Refer to our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information

Employees

At UBS, all business is personal. We are dedicated to being a world-class employer for talented individuals across all our markets, and a place where people can unlock their full potential. We want to have real impact. As such, we invest in measures to strengthen our unique culture and to provide a framework for employee growth and well-being as part of our overarching people-management approach.

Our workforce in a nutshell¹



¹ Calculated as of 31 December 2022 on a headcount basis of 74,022 internal employees only (72,597 FTE).

Deliver on our purpose and culture

Everything we do as a firm starts with our purpose. It is why we do what we do, and, in this respect, our culture is decisive in achieving our ambitions, and is grounded in our three keys to success: our *Pillars*, *Principles* and *Behaviors*. We therefore engage with our employees and seek to build an even more diverse and inclusive organization. Likewise, embracing flexibility and agile ways of working and our intentional focus on simplification and efficiency support a transformation that will generate significant benefits for our clients and for our employees.

In our global employee experience survey conducted in spring 2022, 92% of respondents indicated that they were familiar with our purpose. In 2022, we therefore sought to ensure that we are living up to our purpose by bringing it to life and driving it deeply into our daily business and people-management processes. Our Leadership Summit has been pivotal in that respect. Senior leaders engaged with and were aligned to our purpose and strategy, thereby making those concepts more tangible within their teams and accelerating our transformation. They also participated in training to discover their own purpose and to connect it to the firm’s performance opportunities. We will have an ongoing focus on the topic.

› Refer to “A firm driven by purpose” at the beginning of this report for more information about our purpose and culture

Build a diverse, equitable and inclusive workplace

We live a culture of belonging, where everyone can thrive. In practical terms, we seek to hire individuals with diverse skills, perspectives and experiences, to provide visibility and opportunities, and to create an inclusive culture where employees feel recognized and valued.

As a member of The Valuable 500, a global business collective, we are committed to taking action on disability inclusion. We have improved the physical accessibility of many of our locations in 2022, increased digital accessibility for clients and employees, and provided support for our disability-focused employee networks to increase their visibility and impact.

In 2020, we outlined our intention to increase our female and ethnic minority representation, especially in leadership positions, and we are making progress toward these aspirations. For example, we aim to have 30% of Director and above roles globally held by women by 2025. At the end of 2022, that figure was 27.8%, up from 26.7% in 2021. Similarly, our 2025 aspiration is to have 26% of Director and above roles in the US and the UK held by ethnic minority employees. This figure was 20.4% in the US and 23.0% in the UK as of the end of 2022.

› Refer to our Diversity, Equity and Inclusion Report 2022, which will be available in the second quarter of 2023 at ubs.com/diversity, for more details

Pay our people fairly and equitably

Fair and consistent pay practices are designed to ensure employees are appropriately rewarded for their contribution. We pay for performance, and we take pay equity seriously. We've embedded clear commitments in our global compensation policies and practices, and we regularly conduct internal reviews and external audits as quality checks. Since 2020, we have been certified under the EQUAL-SALARY Foundation standards for our human resources practices in Switzerland, the US, the UK, the Hong Kong SAR and Singapore, covering more than two-thirds of our global employee population. Our global human resources policies and standards, including reward, performance management and promotion, from hiring through retirement, are reviewed annually to further improve our approach and processes. Our processes are global, and we apply the same standards across all our locations.

Listen to and appreciate employees

Key to bringing our purpose to life is listening to employees and acting on the things that matter to them. As part of our employee listening strategy, we conduct regular Group-wide, focused and employee life cycle surveys. Those surveys measure indicators such as strategic alignment, employee experience and well-being, collaboration, innovation, career development and line manager effectiveness. We implement improvement measures on firm-wide, divisional and regional levels and use survey results to create future culture-building initiatives.

Employee recognition continued to be a priority in 2022, as appreciation brings teams together and increases employees' motivation and engagement. In particular, our Group Franchise Awards program rewards employees for promoting innovation and cross-divisional collaboration. A linked idea-sharing platform helps employees collaborate on solutions for various operational, client service and sustainability challenges. Furthermore, our peer-to-peer appreciation program, called Kudos, encourages employees to recognize colleagues' exemplary behavior, with more than 424,000 recognitions awarded in 2022 alone.

Attract employees with the right capabilities and support their development

Connecting people with ideas and opportunities starts with our employees. In 2022, we continued to focus on hiring diverse individuals with strong potential, along with the right capabilities and agile mindset. These qualities enable us to deliver innovative and personalized products to clients faster, and in a more connected way. We hired a total of 12,693 external candidates in 2022, including more than 1,900 graduates and trainees, apprentices and interns through our junior talent programs worldwide. We actively support multi-year apprenticeship programs in Switzerland and the UK, along with summer internship programs in numerous locations. In 2022, for the 14th consecutive year, UBS was recognized among the top 50 of the World's Most Attractive Employers by employer-branding expert Universum.

Personnel by region

| | As of | | | % change from |
|---|---------------|----------|----------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 | 31.12.21 |
| <i>Full-time equivalents</i> | 31,122 | 31,121 | 31,120 | |
| Americas | 21,819 | 21,317 | 21,394 | 2 |
| <i>of which: USA</i> | 21,032 | 20,537 | 20,528 | 2 |
| Asia Pacific | 16,489 | 15,618 | 15,353 | 6 |
| Europe, Middle East and Africa (excluding Switzerland) | 14,342 | 14,091 | 13,899 | 2 |
| <i>of which: UK</i> | 6,234 | 6,051 | 6,069 | 3 |
| <i>of which: rest of Europe (excluding Switzerland)</i> | 7,823 | 7,826 | 7,652 | 0 |
| <i>of which: Middle East and Africa</i> | 285 | 215 | 178 | 33 |
| Switzerland | 19,947 | 20,359 | 20,904 | (2) |
| Total | 72,597 | 71,385 | 71,551 | 2 |

Drive career growth

We want our employees to be able to build long and successful careers. It starts with our senior leaders and line managers, all of whom are expected to invest in their employees' development and to inspire excellence. We take a systematic approach to talent management, conducting annual talent reviews that look at our succession planning needs along with individual employees' contributions, abilities and future potential. Supporting this is our innovative Career Navigator platform. It offers a wide range of self-service tools and resources, including mentorship and networking opportunities, career path and training guidance, access to short-term rotations and internal mobility resources. To date, more than 7,000 people have shared their skills, enabling colleagues or internal recruiters to approach them directly for their subject matter expertise.

Our in-house UBS University plays a central role in both skill- and culture-building. Our broad offering includes business, leadership and line manager education along with training on digitalization, data literacy, agile working, diversity, inclusion and personal well-being, among other topics. Launched in June 2022, our new learning experience platform offers AI-powered training recommendations based on employees' unique needs and interests. We invested USD 78m in training in 2022, and our permanent employees completed more than 1,327,000 learning activities, including mandatory training, for an average of two training days per employee.

Work smarter

Driven by our strategic imperatives and evolving client needs, we continued to embrace new ways of working together in 2022. In particular, we accelerated our transition to agile ways of working, with approximately 18,500 employees across the firm working in agile teams as of year-end. In this setup, pods of specialists with end-to-end responsibility are empowered to achieve better results, and more quickly, than in traditional project structures. A number of tailored measures supported the transition, including the development of one consistent agile model and specialized training delivered through the Agile Academy within our UBS University.

Comprehensive workforce data dashboards help us analyze all aspects of the employee life cycle, including recruitment, internal mobility and attrition. These tools enable us to identify trends and make workforce decisions based on relevant HR data.

Focus on impact and outcome

Our performance management approach (*MyImpact*), which considers both contribution and behavior, supports a high-performance culture while simplifying our performance management and feedback processes. It features aspirational objectives with outcomes aligned to strategic priorities, continuous feedback and transparent year-end decisions that support pay-for-performance principles. Line managers play a key role in the quality of our approach. In 2022, we introduced an integrated feedback app called *Feedback 365*, which allows employees to easily give and receive meaningful feedback throughout the year.

Foster a supportive workplace community

We are committed to meeting employees' needs and supporting their overall well-being. Hybrid-working arrangements enable many employees to work at home several days a week, with agreed in-office days to support collaboration. Additionally, starting with Global Wealth Management in the US, a new virtual worker framework launched in March 2022 will enable eligible US employees to work entirely remotely. These measures, along with options such as flexible hours, part-time working, job sharing and partial retirement, will help us attract and retain top talent while making us a stronger, more dynamic company.

Having seen the positive impact, we further expanded our employee health and well-being offering in 2022. This included a suite of programs, benefits and workplace resources, along with a bespoke eLearning curriculum, that aimed to help our employees manage their health, foster well-being, strengthen their resilience and support the sustainability of the organization. We also sponsored virtual fitness challenges and mental health initiatives in all regions.

- › Refer to our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors, for more information about our workforce, our people management approach and relevant data

Society

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

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

Reimagining client philanthropy

With more than 100 social impact and philanthropy staff around the globe, we help clients to maximize their impact locally, nationally and globally. We have partnered for more than two decades with clients and their families by using an investment-based approach and connecting them to an international network of expertise and support.

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

Donor-advised funds

A DAF offers clients an easy, flexible and efficient alternative to setting up their own foundation and can be managed in line with their usual investment approach. Their charitable donations can be invested within the parameters they select, such as capital, growth or income, so they can grow their fund to give grants at a later date. UBS offers these services in Switzerland, Singapore and the UK, with USD 249m in donations in 2022.

UBS Optimus Foundation

UBS Optimus Foundation is a network of foundations globally that connects clients with inspiring programs designed to make a measurable, long-term difference. It has a 20-year track record and is recognized globally as a philanthropic thought leader and is focused on incubating impact ventures, scaling impact through partnerships and achieving impact transparency. The network is a pioneer in the social finance space, through which we leverage solutions to mobilize private capital in new and more efficient ways. It conducts extensive due diligence and only recommends programs considered to have the capacity to achieve long-term, measurable impact. UBS also makes matching contributions to the network, to help our clients' donations go even further.

Collective impact

The *UBS Collectives* also utilize an evidence-based approach and bring together philanthropists to pool their funds, share their expertise and achieve a longer-term impact. The *Collectives* are a three-year learning journey during which philanthropists follow a curriculum, network with peers and engage in programs with the goals of preventing family separation, mitigating climate change and funding programs linked to measurable results. In 2022, USD 4.8m in funding was raised for this long-term, systems-level change approach.

Emergency relief

In response to urgent relief efforts, in 2022 UBS raised more than USD 25m for the Ukraine Relief Fund, with matched funding from UBS and XTX Markets bringing the total to more than USD 50m. Over half the funds have been disbursed to 14 partners providing relief, recovery and resilience services. In 2022, we also launched our Pakistan Relief Fund with our partners Americares and The Citizens Foundation, which raised USD 1.2m, including UBS matching contributions, to provide both response and recovery efforts.

UBS Global Visionaries

Through our UBS Global Visionaries program, we aim to create opportunities for clients and prospective clients to connect with leading social entrepreneurs, and help entrepreneurs focusing on social and environmental issues increase their impact by expanding their network, building capacity and raising awareness of their work. Since the program started in 2016, we have onboarded and helped 68 entrepreneurs to accelerate their impact.

A third-party evaluation¹ conducted in 2022 found that 88% of those entrepreneurs said the program had had a positive influence on expanding their networks, with 68% creating partnerships from it, 64% agreed that we had increased awareness of critical global issues and their solutions, 51% agreed that the program had helped them build skills valuable to delivering their mission, and 48% felt that the program had influenced their fundraising efforts. We have also started to evaluate how we can maximize the role of the program in terms of the impact of Global Visionaries on the United Nations Sustainable Development Goals. In 2022, 27% noted this benefit.¹

UBS Community Impact

At UBS, we seek to have an impact in local communities. We have a strategic focus on education and the development of skills, as we believe these topics are where our resources can make the most impact. We believe our long-term investment in these subjects is central to furthering the economic and social inclusion of those we support through our activities.

With our Community Impact program, we focus on helping young people and adults to learn and develop skills. We deliver on our commitment through strategic financial support and employee volunteering that will address social issues to help further their economic and social inclusion. Through our Community Impact program, in 2022, we:

- supported 370,916 young people and adults in learning and developing skills – our aim is to support 1.5 million young people and adults by 2025;
- engaged 34% of our global workforce in volunteering.

Direct cash contributions from the firm, including support through our Community Impact program, UBS's affiliated foundations in Switzerland and the UBS Foundation of Economics in Society at the University of Zurich, and contributions to the UBS Optimus Foundation network, amounted to a total of USD 76m in 2022.

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

- › Refer to the "Social" section of our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors, for more information

¹ Evaluation led by Wasafiri Consulting in October 2022, based on survey results from 71% (44) of our 62 UBS Global Visionaries and alumni at the time.

Our focus on sustainability and climate

Our commitment to sustainability starts with our purpose. We know finance has a powerful influence on the world and we recognize that investments can help create a better world for everyone: a fairer society, a more prosperous economy and a healthier environment. That is why we partner with our clients to help them mobilize their capital toward a more sustainable world and why we have put sustainability at the heart of our purpose. We are guided by the goal of being the financial provider of choice for clients that want to mobilize capital toward the achievement of the United Nations Sustainable Development Goals (the SDGs) and the orderly transition to a low-carbon economy.

Our Code of Conduct and Ethics

In our Code of Conduct and Ethics (the Code), the Board of Directors (the BoD) and the Group Executive Board (the GEB) set out the principles and practices that define our ethical standards and the way we do business, which apply to all aspects of our business. All employees must affirm annually that they have read and will adhere to the Code and other key policies, supporting a culture where ethical and responsible behavior is part of our everyday operations. In our Code, we make a commitment to acting with the long term in mind and creating value for clients, employees and shareholders. We aspire to do our part in creating a fairer, more prosperous society, championing a healthier environment and addressing inequalities at their root. This ethos underpins our purpose and is in line with our external commitments, such as our pledge to help making progress toward the SDGs. Following a substantial review in 2021, we made only limited changes to the Code in 2022, mainly pertaining to clarifications, simplifications and alignment of language.

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

Our sustainability and impact governance

Sustainability activities, including climate, are overseen at the highest level of UBS, by the BoD and the GEB, and are grounded in our Code.

› Refer to our **Sustainability Report 2022**, available under “Annual reporting” at ubs.com/investors, for more information about our sustainability and impact governance

Board of Directors and Group Executive Board

The BoD is responsible for setting UBS's values and standards for the purpose of ensuring that the Group's obligations to stakeholders are met. Both the Chairman of the BoD and the Group CEO play key roles in safeguarding our reputation and ensuring we communicate effectively with all of our stakeholders. The BoD's Corporate Culture and Responsibility Committee (the CCRC) is the UBS body primarily responsible for corporate culture, responsibility and sustainability. The CCRC oversees our sustainability and impact strategy and key activities across environmental and social topics, including climate, nature and human rights. Annually, it considers and approves our firm's sustainability and impact objectives. During its six meetings throughout the course of the year, the CCRC also reviews the GEB's activities in executing our climate strategy, including our net-zero targets, and, jointly with the BoD's Risk Committee, evaluates the progress of our climate risk program. All BoD committees have environmental, social and governance (ESG)-related responsibilities.

The Group CEO has delegated to the GEB Lead for Sustainability and Impact, Suni Harford, the responsibility to lead reviews of the firm's sustainability and impact strategy and related objectives, in agreement with fellow GEB members, and to propose strategy and objectives to the CCRC. The GEB Lead for Sustainability and Impact also co-chairs the firm's cross-divisional and cross-functional Sustainability and Climate Task Force, which oversees the implementation of the firm's sustainability activities and its climate action plan, including its net-zero program. We manage these annual plans and goals through our ISO 14001-certified environmental management system, with management accountabilities across our firm. Senior representatives from across our firm, including from the business divisions, Risk, Compliance and Finance, attend the task force's regular meetings.

The GEB also resolves overarching matters relating to sustainability and climate risks, including risk management framework, policies, and disclosure.

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

Group Sustainability and Impact

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

› Refer to our **Sustainability Report 2022**, available under “Annual reporting” at ubs.com/investors, for more information about our sustainability and impact governance

Our sustainability and impact strategy

To help us maximize our impact, we focus on three key areas to drive the sustainability transition: planet, people and partnerships.

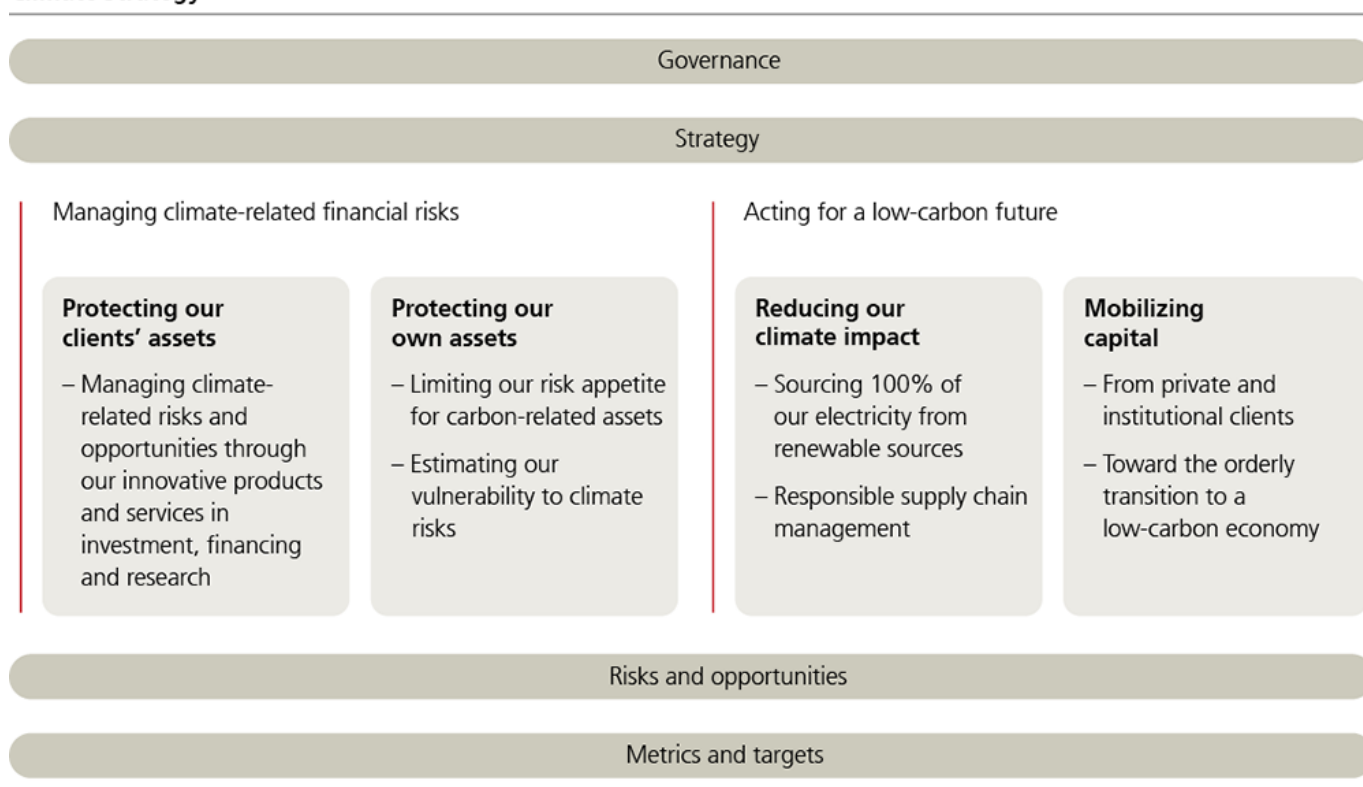
- **Planet:** Climate is a clear focus for us as we shift toward a lower-carbon future. We have committed to achieving net-zero greenhouse gas (GHG) emissions from across our business by 2050.
- **People:** We believe in a diverse, equitable and inclusive society. We are taking action to get there, within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

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

Our approach to climate and nature

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

Climate strategy



We understand the deep interrelationships that exist between climate and nature. Our climate strategy, including our ambition to achieve net zero, also forms part of our approach toward managing nature-related risks and opportunities.

› Refer to our **Climate and Nature Report 2022**, available at ubs.com/gri, for a full description of UBS's approach to climate and nature

Our approach to sustainable finance

As a global financial institution, we have a role in helping clients direct capital toward the SDGs. Our clients turn to us for advice on how they can help finance the transition to a low-carbon economy, support sustainable finance, align their investments with their personal values and better risk manage their portfolios and businesses. They want to take advantage of these opportunities, while also managing the risks associated with this transformational challenge.

During a year of global geopolitical and economic upheaval, sustainability and sustainable finance remained strategically important topics for UBS and many of our clients, with a focus on two key areas:

- the implementation of strategic sustainability commitments, for example reaching net-zero GHG emissions across all our activities by 2050, and
- the ongoing evolution of regulatory guidance designed to prevent greenwashing.

At UBS, we want to partner with all our clients by providing innovative and effective products and solutions that can support them in their sustainability transition and deliver on their commitments, where that is their preference. In particular, we want to support innovation and technological progress.

› Refer to our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information about our sustainability and impact strategy and activities

Defining sustainable finance

It is important to set out how we define sustainable finance, as at present there is no global, uniformly accepted definition. At UBS, sustainable finance means any financial product or service (including both investing and financing solutions) that aims to explicitly align with and / or contribute to sustainability-related objectives, while targeting market-rate financial returns.

Sustainability outcomes can occur across a range of topics including goals defined using a reference framework, such as the SDGs in the United Nations 2030 Agenda for Sustainable Development. As an example, a sustainable investment (SI) product could invest in companies whose transition plans are aligned with the goal of limiting global warming to 1.5°C compared with the pre-industrial age or invest with the goal of encouraging companies to adopt such plans.

Our definition is also reflected in our Group’s SI framework, which specifically defines “sustainability focus” and “impact investing” products. Both categories reflect a defined and explicit sustainability intention of the underlying investment strategy. This intentionality differentiates them from more “traditional” investment products, or those that consider ESG aspects but do not actively and explicitly pursue any specific sustainability objective, such as ESG integration- or exclusions-only approaches.

Investment approaches

UBS’s definition of sustainable investments

“Traditional” investing

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

Sustainability focus

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

Impact investing

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

Identifying opportunities

UBS has a global and diversified business model. Each client has specific and differentiated sustainable financing, investing and / or advisory needs. Leveraging the deep expertise of our experienced teams, we work hard to service those needs in the best way possible. While their needs are diverse, our interactions with our clients follow an established rationale that starts by building an understanding of the relevance of sustainability for their business and / or investment portfolio.

Sustainable finance opportunities



Analysis

We help clients understand the relevance of ESG factors for their business or portfolio

Advice

We provide targeted advice to our clients on managing ESG-related risks and/or capturing ESG-related opportunities for their specific circumstances

Action

We develop innovative and individualized sustainable finance products for clients

Assessment

We give transparent feedback to clients on non-financial outcomes achieved with regard to sustainable financing and investing client promises

Research, thought leadership, data, analytics and tools

Sustainable investment

In 2022, we made progress on a number of important investment product initiatives relevant to a broad spectrum of clients across our business areas. For example:

- we made it easier for private clients to access SI products and services, suited to their individual preferences, e.g., through expanded access to our Advice SI and separately managed account (SMA) solutions, and new targeted sustainable and impact offerings. In line with EU regulations for clients in scope thereof, UBS systematically captures clients' preferences when it comes to SI;
- we expanded the range of sustainable and impact funds in public and private markets and exchange-traded funds available to private, institutional and corporate clients; and
- we continued to provide customized, tailored, and structured investment solutions for private and institutional investors.

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

Sustainable financing

We develop financing solutions to help our clients transition to a more sustainable future. These solutions can be on-balance sheet (e.g., green or sustainable loans and mortgages) or off-balance sheet (such as access to debt and equity capital markets), and also include transaction structuring. Highlights in 2022 included: our Investment Bank facilitating USD 48bn of green, social, sustainability and sustainability-linked (GSSS) bonds financing through 77 bond deals for our clients, with a market-leading share of the Swiss franc GSSS bond market; our Personal & Corporate Banking business launching both *UBS Mortgage Energy* and *UBS Loan Energy*, the former to encourage private clients to replace their fossil fuel heating, either with a more sustainable alternative or by installing a photovoltaic system, and the latter being specially designed for energy-efficient investment properties. Clients benefit from attractive interest rates and comprehensive advice for their low-energy properties. In December of 2022, UBS adopted guidelines providing an internal global standard for all our products in the categories of sustainable lending, sustainable bonds and GHG emissions trading. During the course of 2023, UBS expects to (re-)assess all its products against these guidelines.

Sustainable investments

| | For the year ended | | | % change from |
|--|--------------------|----------|----------|---------------|
| <i>USD bn, except where indicated</i> | 31.12.22 | 31.12.21 | 31.12.20 | 31.12.21 |
| Sustainable investments¹ | | | | |
| Sustainability focus ² | 246.9 | 222.7 | 127.7 | 10.9 |
| Impact investing ³ | 20.7 | 28.5 | 13.1 | (27.4) |
| Total sustainable investments^{4,5} | 267.6 | 251.2 | 140.8 | 6.5 |
| SI proportion of total invested assets (%) | 6.8 | 5.5 | 3.4 | |
| UBS total invested assets | 3,957.2 | 4,596.2 | 4,187.2 | (13.9) |

¹ We focus our sustainable investment reporting on those investment strategies exhibiting an explicit sustainability intention. ² Strategies that have explicit sustainable intentions or objectives that drive the strategy. Underlying investments may contribute to positive sustainability outcomes through products / services / use of proceeds. Examples include Global Wealth Management's discretionary Manage SI mandate solutions and Asset Management's strategies such as its Global Sustainable Equities product. ³ Strategies that have explicit intentions of generating measurable, verifiable and positive sustainability outcomes. Impact generated is attributable to investor action and / or contributions. Examples include Global Wealth Management's Oncology Impact funds and Asset Management's UBS Engage for Impact or UBS Climate Action funds. ⁴ In 2022, UBS converted funds to the sustainability focus and impact investing categories, in line with corresponding changes to the funds' underlying investment policies. The main impact was on sustainability focus and impact investing strategies in Asset Management of USD 33bn. Further, we aligned the Global Wealth Management and Personal & Corporate Banking reporting of UBS funds and mandates products to the Asset Management categorization with an impact on sustainable investments of USD 20bn. ⁵ In 2022, methodology changes related to the application of the Group SI framework resulted in a decrease in invested assets of USD 10bn across total sustainable investments.

In line with global market developments, at UBS, we continue to grow SI assets under management (AuM) as a share of total AuM, reaching 6.8% by the end of 2022, compared with 5.5% at the end of 2021. As of 31 December 2022, UBS's SI assets (sustainability focus and impact investing) were USD 268bn, compared with USD 251bn at year-end 2021. Impact investing assets decreased to USD 21bn from USD 29bn, reflecting negative market performance and foreign currency effects, as well as methodology changes.

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

Managing sustainability and climate risks

At UBS, sustainability and climate risk is defined as the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights, and other environmental, social, governance matters. Sustainability and climate risk may manifest as credit, market, liquidity and / or non-financial risks for UBS, resulting in potential adverse financial, liability and / or reputational impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate). Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). Physical and transition risks from a changing climate contribute to a structural change across economies and, consequently, can affect banks and the financial sector through financial and non-financial impacts.


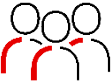

Our Sustainability and Climate Risk (SCR) unit (part of Group Risk Control) manages material exposure to sustainability and climate risks. It also advances our firm-wide SCR initiative to build in-house capacity for the management of sustainability and climate-related risks.

- › Refer to "Sustainability and climate risk" in the "Risk management and control" section of this report
- › Refer to Appendix 2 to our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors, for a full description of our sustainability and climate risk policy framework

Our sustainability goals and progress

We work with a long-term focus on providing appropriate returns to our stakeholders in a responsible manner. We are committed to providing transparent targets and reporting on the progress made against them. Our aspirational goals, as set out below, can therefore only partly be compared with what we set out in previous years.

Our aspirational goals and progress

| Our priorities | Our aspirational goals | Our progress in 2022 |
|--|--|---|
| Planet, people, partnerships | USD 400bn invested assets in sustainable investments by 2025. | Increased invested assets in sustainable investments to USD 268bn (compared with USD 251bn in 2021). |
| Planet  | <p>Decarbonization targets for 2030 for financing of the real estate, fossil fuels, power generation and cement sectors (from 2020 levels):</p> <ul style="list-style-type: none"> – reduce emissions intensity of UBS’s residential real estate lending portfolio by 42%; – reduce emissions intensity of UBS’s commercial real estate lending portfolio by 44%; – reduce absolute financed emissions associated with UBS loans to fossil fuel companies by 71%; – reduce emissions intensity associated with UBS loans to power generation companies by 49%; and – reduce emissions intensity associated with UBS loans to cement companies by 15%. <p>Align 20% of AuM to be managed in line with net zero (Asset Management).²</p> <p>Achieve net-zero emissions across discretionary client portfolios by 2050 (Asset Management).³</p> <p>Achieve net-zero energy emissions resulting from our own operations (scopes 1 and 2) by 2025; cut energy consumption by 15% by 2025 (compared with 2020).</p> <p>Offset historical emissions back to the year 2000 by sourcing carbon offsets (by year-end 2021) and by offsetting credit delivery and full retirement in registry (by year-end 2025).</p> <p>Engage with key vendors on aiming for net zero by 2035.</p> | <p>Calculated progress against pathways for the real estate (commercial and residential), fossil fuel and power generation sectors:¹</p> <ul style="list-style-type: none"> – reduced emissions intensity of UBS’s residential real estate lending portfolio by 8% (end of 2021 vs 2020 baseline); – reduced emissions intensity of UBS’s commercial real estate lending portfolio by 7% (end of 2021 vs 2020 baseline); – reduced absolute financed emissions associated with UBS loans to fossil fuel companies by 42% (end of 2021 vs 2020 baseline); and – reduced emissions intensity associated with UBS loans to power generation companies by 12% (end of 2021 vs 2020 baseline). <p>Introduction of an additional decarbonization target for the cement sector, as well as an estimation of the overall financed emissions.</p> <p>Initiated analysis of revisions to fund documentation and investment management agreements to align with Asset Management’s net-zero-aligned frameworks.</p> <p>Reduced net GHG footprint for scope 1 and 2 emissions by 13% and energy consumption by 8% (compared with 2021); continued implementation of the replacement of fossil fuel heating systems and investing in credible carbon removal projects; achieved 99% renewable electricity coverage despite challenging market conditions.</p> <p>Continued to follow up on credit delivery and retirement of sourced portfolio.</p> <p>Identified “GHG key vendors” (vendors that collectively account for >50% of our estimated vendor GHG emissions) and invited the vendors that accounted for 67% of our annual vendor spend (including all GHG key vendors) to disclose their environmental performance through CDP’s Supply Chain Program, with 66% of the invited vendors completing their disclosures in the CDP platform.</p> |
| People  | <p>30% global female representation at Director level and above by 2025.</p> <p>26% of US roles at Director level and above held by employees from ethnic minorities by 2025.</p> <p>26% of UK roles at Director level and above held by employees from ethnic minorities by 2025.</p> <p>Raise USD 1bn in donations to our client philanthropy foundations and funds and reach 25 million beneficiaries by 2025 (cumulative for 2021–2025).</p> <p>Support 1.5 million young people and adults to learn and develop skills through our community impact activities (2022–2025).</p> | <p>Increased to 27.8% (2021: 26.7%) female representation at Director level and above.</p> <p>Increased to 20.4% (2021: 20.1%) ethnic minority representation at Director level and above in the US.</p> <p>Increased to 23.0% (2021: 21.3%) ethnic minority representation at Director level and above in the UK.</p> <p>Achieved a UBS Optimus Foundation network donation volume of USD 274m in 2022, totaling USD 436m since 2021 (both figures include UBS matching contributions). Reached 5.9 million beneficiaries.</p> <p>Reached 370,916 beneficiaries through strategic community impact activities.⁴</p> |
| Partnerships  | <p>Establish UBS as a leading facilitator of discussion, debate and idea generation.</p> <p>Drive standards, research and development, and product development.</p> | <p>Co-organized, with the Institute of International Finance, the first Wolfsberg Forum for Sustainable Finance.</p> <p>Joined a consortium that is pioneering methods of assessing and maximizing the GHG reduction potential of energy storage.</p> <p>Co-founded Carbonplace, a technology platform for the voluntary carbon market that has the goal of creating a streamlined and transparent market for our clients.</p> <p>Co-led the Taskforce on Nature-related Financial Disclosures’ financial-sector-specific working group.</p> <p>Collaboration with two Swiss companies that are pioneering innovative carbon removal technologies.</p> <p>Joined the Partnership for Carbon Accounting Financials (PCAF).</p> |

¹ Refer to the “Environment” section of our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for further information. The inherent one-year time lag between the as-of date of our lending exposure and the as-of date of emissions can be explained by two factors: corporates disclose their emissions in annual reporting only a few months after the end of a financial year; and specialized third-party data providers take up to nine months to collect disclosed data and make it available to data users. Consequently, the baselines for our net-zero ambitions are based on year-end 2020 lending exposure and 2019 emissions data. Our 2021 emissions actuals are based on year-end 2021 lending exposure and 2020 emissions data. ² The 20% alignment goal amounted to USD 235bn at the time of Asset Management’s commitment in 2021. By 2030, the weighted average carbon intensity of funds is to be 50% below the carbon intensity of the respective 2019 benchmark. ³ The near- and medium-term plans for the achievement of this goal include our Asset Management business division only. ⁴ Our Community Impact program has a strategic focus on education and the development of skills.

Our climate-related metrics and targets

We have developed methodologies that we use to set our climate-related targets and identify climate-related risks and which underly the metrics that are disclosed in this report. Standard-setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures. Our disclosed metrics are based upon data available to us, including estimates and approximations where actual or specific data is not available. We intend to update our disclosures to comply with new guidance and regulatory requirements as they become applicable to UBS. Such updates may result in revisions to our disclosed metrics, our methodologies and related disclosures, which may be substantial, as well as changes to the metrics we disclose.

Our climate targets and ambitions are high-level goals that have been set based on the methodologies, data and assumptions that we currently use. Changes to these methodologies, data and assumptions may affect our progress toward intermediate targets and ambitions and the achievability of net zero and other climate goals. Our 2050 net-zero targets, and related ambitions for scope 3 emissions, have a critical dependency on overall progress across all sectors and countries toward net-zero carbon emissions that requires substantial governmental action across many jurisdictions. In the absence of such progress, our goals with respect to scope 3 emissions will not be achievable.

► Refer to our **Climate and Nature Report 2022**, available at ubs.com/gri, for a full description of our net-zero targets, including baselines and pathways

Climate-related metrics 2022

| | For the year ended | | | % change from |
|---|--------------------|----------|----------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 | 31.12.21 |
| Risk management | | | | |
| Carbon-related assets (USD bn) ^{1,2} | 33.8 | 36.5 | 37.1 | (7.4) |
| <i>of which: UBS AG</i> | 8.9 | 10.1 | 11.0 | (11.9) |
| <i>of which: UBS Switzerland AG</i> | 24.6 | 26.0 | 25.4 | (5.4) |
| <i>Proportion of total customer lending exposure, gross (%)</i> | 7.5 | 8.0 | 8.6 | |
| Total exposure to climate-sensitive sectors, transition risk (USD bn) ^{2,3,4} | 24.9 | 27.3 | 27.1 | (8.8) |
| <i>of which: UBS AG</i> | 5.4 | 6.7 | 7.5 | (19.4) |
| <i>of which: UBS Switzerland AG</i> | 19.3 | 20.4 | 19.2 | (5.4) |
| <i>Proportion of total customer lending exposure, gross (%)</i> | 5.5 | 5.9 | 6.2 | |
| Total exposure to climate-sensitive sectors, physical risk (USD bn) ^{2,3,4} | 30.0 | 31.9 | 35.0 | (6.0) |
| <i>of which: UBS AG</i> | 11.6 | 13.3 | 18.3 | (12.8) |
| <i>of which: UBS Switzerland AG</i> | 17.7 | 18.2 | 16.2 | (2.7) |
| <i>Proportion of total customer lending exposure, gross (%)</i> | 6.7 | 7.0 | 8.0 | |
| Opportunities | | | | |
| Number of green, sustainability, and sustainability-linked bond deals ⁵ | 69 | 98 | 29 | (29.6) |
| Total deal value of green, sustainability, and sustainability-linked bond deals (USD bn) ⁵ | 42.4 | 63.3 | 19.3 | |
| <i>UBS-apportioned deal value of above (USD bn)</i> | 8.8 | 13.2 | 5.7 | |
| Stewardship – Voting | | | | |
| Number of climate-related resolutions voted upon ⁶ | 160 | 89 | 50 | 79.8 |
| <i>Proportion of supported climate-related resolutions (%)</i> | 71.2 | 78.6 | 88.0 | |
| Own operations (reporting period: July to June) | | | | |
| Net GHG footprint (1,000 metric tons CO ₂ e) ⁷ | 25 | 30 | 75 | (15.4) |
| <i>Change from baseline 2004 (%)</i> | (93.0) | (92.0) | (79.0) | |
| Share of renewable electricity (%) | 99 | 100 | 85 | |

¹ As defined by the Task Force on Climate-related Financial Disclosures (the TCFD), in its expanded definition published in 2021, UBS defines carbon-related assets through industry-identifying attributes of the firm's banking book. UBS further includes the four non-financial sectors addressed by the TCFD, including, but not limited to, fossil fuel extraction, carbon-based power generation, transportation (air, sea, rail, and auto manufacture), metals production and mining, manufacturing industries, real estate development, chemicals, petrochemicals, and pharmaceuticals, building and construction materials and activities, forestry, agriculture, fishing, food and beverage production, as well as including trading companies that may trade any of the above (e.g., oil trading or agricultural commodity trading companies). This metric is agnostic of risk rating, and therefore may include exposures of companies that may be already transitioning or adapting their business models to climate risks, unlike UBS climate-sensitive sectors methodology, which takes a risk-based approach to defining material exposure to climate impacts. ² Methodologies for assessing climate-related risks are emerging and may change over time. As the methodologies, tools and data availability improve, we will further develop our risk identification and measurement approaches, including further and updated geospatial analysis of properties securing financing with UBS (real estate) and better understanding how private lending (e.g., Lombard) activities may result in direct financial impacts for UBS. Lombard lending rating is assigned based on the average riskiness of loans. ³ Consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss), and is based on consolidated and standalone IFRS numbers. Metrics are calculated and restated based on 2022 methodology, across three years of reporting, 2020–2022. ⁴ Climate-related risks are scored between 0 and 1, based upon sustainability and climate risk transmission channels, as outlined in Appendix 3 to our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors. Risk ratings represent a range of scores across five risk-rating categories: low, moderately low, moderate, moderately high, and high. The climate-sensitive exposure metrics are determined based upon the top three out of five rated categories: high to moderate. ⁵ Such as, but not limited to, Investment Bank Global Banking bonds issued under the voluntary ICMA Green Bond Principles, Sustainability Bond Principles, and Sustainability-Linked Bond Principles. The principles include a recommendation that the issuer appoints an external review provider to undertake an independent external review (e.g., second-party opinion). This is consistent with market practice. ⁶ This excludes proposals related to Japanese companies that included changes to the companies' articles of association. The 2022 and 2021 numbers include shareholder and management proposals, the 2020 number shareholder proposals only. This reflects the increasingly common market practice of climate-related proposals being presented by management. ⁷ Net greenhouse gas (GHG) footprint equals gross GHG emissions minus GHG reductions from renewable electricity and CO₂e offsets (gross GHG emissions include: direct GHG emissions by UBS; indirect GHG emissions associated with the generation of imported / purchased electricity (grid average emission factor), heat or steam; and other indirect GHG emissions associated with business travel, paper consumption and waste disposal). A breakdown of our GHG emissions (scopes 1, 2 and 3) is provided in Appendix 3 to our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors.

Reporting to our stakeholders on our sustainability strategy and activities

Further information about our sustainability efforts and commitments is provided in our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors. The content of our Sustainability Report 2022 has been prepared in accordance with Global Reporting Initiative (GRI) standards and with the German rules implementing the EU Directive on disclosure of non-financial and diversity information (2014/95/EU). We also disclose data on climate-related financial risks, pertaining to the Swiss Financial Market Supervisory Authority’s (FINMA’s) disclosure requirements as set out in appendix 5 to FINMA Circular 2016/1 “Disclosure – banks.” Our reporting on sustainability has been reviewed on a limited assurance basis by Ernst & Young Ltd against the GRI standards.

- › Refer to our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for an overview of non-financial disclosures in accordance with the German rules implementing EU Directive 2014/95 and for information about UBS AG and UBS Europe SE disclosures pursuant to Art. 8 of the EU Taxonomy Regulation

Regulation and supervision

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

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

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

Regulation and supervision in Switzerland

Supervision

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

Capital adequacy and liquidity regulation

As an internationally active Swiss systemically important bank (SIB), we are subject to capital and total loss-absorbing capacity (TLAC) requirements that are based on both risk-weighted assets and the leverage ratio denominator, and are among the most stringent in the world. We are also subject to Swiss SIB liquidity requirements and to minimum long-term funding requirements.

- › Refer to the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the Swiss SRB framework and the Swiss too-big-to-fail (TBTf) requirements
- › Refer to “Liquidity coverage ratio” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about liquidity coverage ratio requirements

Regulation and supervision outside Switzerland

Regulation and supervision in the US

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

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

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

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

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

Regulation and supervision in the UK

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

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

Regulation and supervision in Germany / the EU

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

Regulation and supervision in Asia Pacific

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

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

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

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

Financial crime prevention

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

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

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

Data protection

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

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

Recovery and resolution

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

In 2013, FINMA stated its preference for a single point of entry (an SPE) strategy for globally active SRBs, such as UBS, with a bail-in at the group holding-company level. UBS has made structural, financial and operational changes to facilitate an SPE strategy and is confident that a resolution of the bank is operationally executable and legally enforceable.

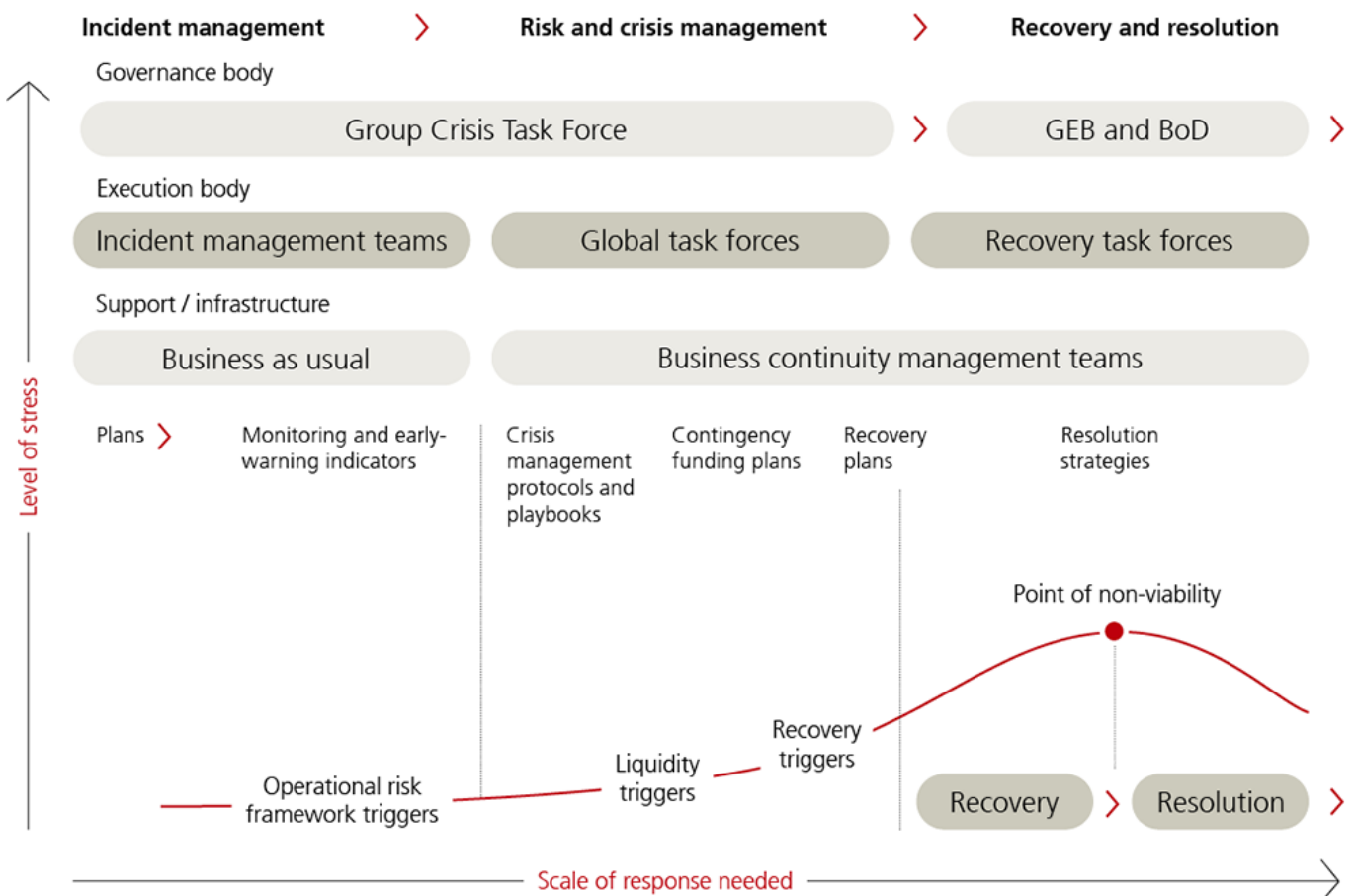
FINMA evaluates the recovery and resolution plans of Swiss SRBs on a regular basis. In its most recent assessment published in March 2022, FINMA re-confirmed that our Swiss emergency plan is effective and that our recovery plan was approved. Furthermore, FINMA acknowledged the continued progress we made toward achieving global resolvability.

UBS's crisis management framework

Our crisis management framework assigns responsibility and actions depending on the nature of the stress incident and the scale of the response needed.

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

UBS crisis management framework



Global Recovery Plan

The GRP provides a tool to restore financial strength if UBS comes under severe capital and liquidity stress. Quantitative and qualitative triggers are monitored daily and are subject to predefined governance and escalation processes. Recovery options are linked to owners and checklists, with the objectives of preserving capital, raising capital or liquidity, or disposing of or winding down businesses.

Global Resolution Strategy

FINMA is required to produce a global resolution plan for UBS. The plan includes setting out measures that FINMA can take to resolve UBS in an orderly manner if the Group enters into resolution. The SPE bail-in strategy would involve writing down the Group's remaining equity and additional tier 1 and tier 2 instruments, as well as bail-in of total TLAC-eligible senior unsecured bonds at the UBS Group AG level. An internal recapitalization of undercapitalized subsidiaries would be made simultaneously with losses transmitted to UBS AG and, ultimately, UBS Group AG. Post-resolution restructuring measures could include disposal and winding down of businesses and assets.

Local recovery and resolution plans

The Swiss emergency plan demonstrates how UBS's systemically important functions and critical operations in Switzerland can continue if the UBS Group cannot be restructured. This is achieved mainly by holding UBS Switzerland AG as a separate legal entity and maintaining sufficient capital and liquidity to ensure its continued operation. FINMA considers the plan to be effective.

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

UBS Europe SE develops a local recovery plan annually based on European Central Bank (ECB) requirements, and resolution planning information and capabilities based on Single Resolution Board requirements. On the basis of such information the Internal Resolution Team (IRT), composed of members of the Single Resolution Board, produces a resolution plan for UBS Europe SE.

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

Regulatory and legal developments

Developments regarding prudential matters

In March 2022, the Swiss Financial Market Supervisory Authority (FINMA) presented its annual assessment of the recovery and resolution plans of systemically important financial institutions in Switzerland as part of the too-big-to-fail framework. In its report, FINMA acknowledged the further progress that UBS has made with regard to its global resolvability by significantly reducing the remaining obstacles to the implementation of its resolution strategy and making further improvements to its recovery plans. FINMA considered UBS's global recovery plan and Swiss emergency plan to be effective, while identifying certain areas for further improvement, which UBS is in the process of addressing.

In parallel, the Swiss Federal Council announced the key parameters for a public liquidity backstop in conjunction with the revision of the Swiss Liquidity Ordinance. The liquidity backstop would enable the Swiss government and the Swiss National Bank to support the liquidity of a Swiss systemically important bank (SIB) in the process of resolution. The introduction of the backstop is intended to increase the confidence of market participants in the ability of SIBs to become successfully recapitalized and remain solvent in a crisis situation. The Swiss Federal Department of Finance (the FDF) is expected to issue a public consultation by mid-2023.

In July 2022, the revision of the Swiss Liquidity Ordinance became effective, which increases the regulatory minimum liquidity requirements for SIBs from 1 January 2024. The specific increase for UBS remains uncertain pending supervisory guidance from FINMA, which is expected to be communicated to the firm in the autumn of 2023. Related new and revised regulatory reporting requirements became effective from the fourth quarter of 2022 onward.

In November 2022, the Swiss Federal Council adopted the amendments to the Banking Act and the Banking Ordinance, which entered into force as of 1 January 2023. The amendments enact insolvency provisions for banks into statutory law and strengthen the deposit insurance framework. They also replace the current resolvability discount on the gone concern capital requirements for SIBs, including UBS, with a reduced base gone concern capital requirement. In addition, FINMA has the authority to impose a surcharge of up to 25% of the base gone concern capital requirement should obstacles to a SIB's resolvability be identified in future resolvability assessments. We currently expect that our total gone concern requirements will remain substantially unchanged in the first quarter of 2023 because of these changes.

In December 2022, the Swiss State Secretariat for International Finance changed the expected date on which the final Basel III guidelines are to enter into force, from 1 July 2024 to 1 January 2025. As a result, the Swiss implementation timeline would be aligned to the currently expected implementation timeline in the EU. We currently estimate that the revised Basel III framework would lead to a further net increase in risk-weighted assets (RWA) of around USD 12bn, before taking into account mitigating actions and not reflecting the impact of the output floor, which is phased in over time. Our estimate includes the finalization of the Basel III framework, as well as the Fundamental Review of the Trading Book, based on our current understanding of the relevant standards. It may change as a result of new or updated regulatory interpretations, appropriate conservatism in model calibration, the implementation of Basel III standards into national law, changes in business growth, market conditions and other factors. The final degree of alignment between the Swiss implementation and those in other jurisdictions, particularly those regarding the treatment of historical operational losses, remains uncertain at this stage.

In the US, the Securities and Exchange Commission (the SEC) has proposed a number of significant new and revised regulations, including, among others, proposals that would significantly change order execution rules in US public equity markets and new disclosure requirements relating to climate, cybersecurity and share repurchases, as well as changes relating to investment companies and investment advisors. On 15 February 2023, the SEC approved rule changes to shorten the settlement cycle for US markets to trade date +1, with the compliance date set as 28 May 2024.

US banking regulators are expected to adopt rules that would substantially change how banks' service to low-income and underserved communities is evaluated under the Community Reinvestment Act, which, if adopted as currently proposed, would change measurement of this obligation for UBS Bank USA. The regulators further propose regulations to implement the remaining Basel III capital requirements, including the Fundamental Review of the Trading Book requirements. These requirements, when final, will affect UBS Americas Holding LLC.

The above proposals from the SEC and the US banking regulators represent a significant regulatory agenda, which, if completed in the near future, would likely require significant resources to implement.

Corporate taxation in Switzerland and the US

In December 2021, the Organisation for Economic Co-operation and Development (the OECD) issued Global Anti-Base Erosion Rules under the Pillar 2 framework. To address this, the Swiss Federal Council launched the consultation of the ordinance on the national implementation of a global minimum corporate tax rate in August 2022. The Federal Council has proposed a minimum tax rate of 15% for Swiss firms with global earnings above EUR 750m from January 2024. The OECD model rules will be transformed into Swiss national law following a constitutional amendment, which is subject to a mandatory referendum, expected by June 2023. We do not expect the proposed implementation of global minimum taxation in Switzerland to materially impact our effective tax rate.

As part of the Inflation Reduction Act (the IRA) passed by the US Congress in August 2022, a new corporate alternative minimum tax (CAMT) was introduced, with an effective date of 1 January 2023. CAMT is calculated as 15% of an entity's consolidated financial statement profits, without taking into account pre-2019 tax loss carry-forwards. As a result, the Group is expected to incur significant US current tax expenses, although these will be offset by the recognition of equivalent benefits in respect of deferred tax assets. There is no change to the Group's effective tax rate. CAMT will temporarily defer the accretion of profits to the Group's common equity tier 1 (CET1) capital, but the amount of such deferral is expected to be recaptured in the future through the use of CAMT credits. The 2022 impact on the accretion of CET1 capital would have been around USD 250m.

Sanctions related to the Russia–Ukraine war

During 2022, the Swiss Federal Council adopted the EU sanctions against Russia. Recently issued measures provide, among other things, a legal basis for the introduction of price caps for Russian crude oil and petroleum, and include a ban on the provision of certain services to the Russian government and Russian companies. UBS's sanctions programs are designed to comply with sanctions across multiple jurisdictions, including those imposed by the United Nations, Switzerland, the EU, the UK and the US.

Developments regarding environmental, social and governance matters

In 2022, environmental, social and governance (ESG) matters continued to evolve rapidly across different jurisdictions.

In June 2022, two new self-regulation minimum requirements were issued by the Swiss Bankers Association. One requirement sets standards for the consideration of sustainability criteria in the investment advisory process and the other regulates the mortgage advisory process. In parallel, the Swiss Federal Council launched the Swiss Climate Scores, which consist of six indicators that provide transparency regarding climate-related information, such as carbon emissions and the implied temperature increase of a portfolio.

In September 2022, the Swiss Parliament adopted a new federal law on climate protection, including provisions related to emission-reduction pathways and interim targets. The law provides the legal basis for measures to support the transition to net zero in different economic sectors, including the financial sector. Subject to a referendum that will take place in June 2023, the new law is expected to enter into force in 2024.

The Swiss Federal Council adopted a revised ordinance on climate-related disclosures in November 2022, which will be mandatory for large companies domiciled in Switzerland as of 1 January 2024. The ordinance makes reference to the recommendations of the Task Force on Climate-related Financial Disclosures (the TCFD) and sets disclosure requirements related to the plans for the transition to net zero and regarding climate-related impacts on a company's business activities. In parallel, FINMA has issued guidance on disclosures of climate-related financial risks and announced another review of climate-related disclosures in the course of 2023.

In December 2022, the Swiss Federal Council published a report on sustainability in the financial sector, in which it defined 15 measures planned to be implemented in the years 2023 to 2025. The measures aim to, among other things, ensure that more and better sustainability data is available from all sectors of the economy, in order to increase overall transparency. The Swiss government also adopted a position on greenwashing, stating that financial products or services should only be advertised as being sustainable if they are aligned with or contribute to at least one of the goals of the wider sustainability frameworks, such as the United Nations Sustainable Development Goals.

In January 2023, FINMA provided further guidance on the developments regarding the management of climate risks. FINMA reiterated its expectation that supervised institutions, including UBS, will establish adequate frameworks for managing climate-related financial risks that are adapted to the respective risk profile of the institution. In this context, FINMA expects the supervised financial institutions to proactively engage with the recommendations and guidance provided by international bodies, such as the BCBS and its Principles for the Effective Management and Supervision of Climate-Related Financial Risks issued in June 2023, as well as relevant best practices in the market, and to further develop their tools and processes where necessary.

In April 2022, the SEC proposed rules on climate-related disclosures. The proposed rules would require qualitative disclosures on climate risk management processes inclusive of governance, risk identification and scenario analyses, and quantitative disclosures on greenhouse gas emissions and financial statement impacts.

The European Commission (the EC) proposed draft legislation on corporate sustainability due diligence in February 2022, requiring companies to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights and the environment. The EC also published a consultation aiming to gain a better understanding of the functioning of ESG ratings provided by specialized rating agencies.

In November 2022, the EU finalized the Corporate Sustainability Reporting Directive, which amends the reporting requirements of the 2014 Non-Financial Reporting Directive for all large companies and all companies listed on regulated markets in the EU. It requires the first companies, including UBS, to provide detailed information about sustainability matters in their annual financial reports from the 2024 fiscal year onward, including the impact of their business activities on sustainability matters and the influence of sustainability factors (e.g., climate change or human rights issues) on their business model, outlook and operations. The Swiss Federal Council decided to review the impact of the EU rules on Switzerland with a consultation planned for July 2024 at the latest.

On a global level, the International Sustainability Standards Board (the ISSB) launched a consultation in March 2022 on two of its proposed standards: one defining general sustainability-related disclosure requirements and the other specifying climate-related disclosure requirements. Based on the results of this consultation, the ISSB decided to adopt disclosure standards on greenhouse gas emissions, to introduce scenarios for reporting on climate resilience and to identify climate-related risks and opportunities. The ISSB is expected to finalize its standards by June 2023.

We expect to implement the standards and requirements that are applicable to us by their respective due dates.

FINMA revision of Circular 2008/21 "Operational risks and resilience – banks"

In December 2022, FINMA issued a revised "Operational risks and resilience – banks" circular that incorporates the BCBS's new Principles on Operational Resilience into the FINMA framework, including information and communication technology risk, cyber risk, critical data risk, business continuity management, cross-border business service risk, and the continuation of critical services during resolution and recovery. A two-year transition period has been granted for the implementation of the requirements on ensuring operational resilience, with the first elements on critical functions and disruption tolerance required to be in place by 1 January 2024 and the remaining elements in phases until 1 January 2026.

Swiss Federal Council approval of the revised Anti-Money Laundering Act

In August 2022, the Swiss Federal Council revised the Swiss Anti-Money Laundering Act and amended the Anti-Money Laundering Ordinance, which became effective on 1 January 2023. Among other things, the revised provisions will affect reporting requirements, as well as requirements to periodically review all clients and client data.

Risk factors

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

Market, credit and macroeconomic risks

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

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

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

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

Geopolitical events: For example, the Russia–Ukraine war has led to one of the largest humanitarian crises in decades, with millions of people displaced, a mass exodus of businesses from Russia, and heightened volatility across global markets. In addition, as a result of the war, several jurisdictions, including the US, the EU, the UK, Switzerland and others, have imposed extensive sanctions on Russia and Belarus and certain Russian and Belarusian entities and nationals, as well as the Russian Central Bank. Among others, the financial sanctions include barring certain Russian banks from using the Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system, asset freezes for sanctioned individuals and corporations, limits on financial transactions with sanctioned entities and individuals, and limitation of deposits in the EU and Switzerland from Russian persons not entitled to residency in the European Economic Area (the EEA) or Switzerland. The scale of the conflict and the speed and extent of sanctions may produce many of the effects described in the paragraph above, including in ways that cannot now be anticipated.

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

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

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

COVID-19 pandemic: The COVID-19 pandemic, the governmental measures taken to manage it, and related effects, such as labor market displacements, supply chain disruptions, and inflationary pressures, have adversely affected, and may still adversely affect, global and regional economic conditions, resulting in contraction in the global economy, substantial volatility in the financial markets, crises in markets for goods and services, as well as significant disruptions in certain regional real estate markets, increased unemployment, increased credit and counterparty risk, and operational challenges. While in most jurisdictions the pandemic-related governmental measures were reversed, resurgence of the pandemic, ineffectiveness of vaccines and continuance or imposition of new pandemic control measures may result in additional adverse effects on the global economy negatively affecting UBS's results of operations and financial condition. Should inflationary pressures or other adverse global market conditions persist, or should the pandemic lead to additional economic or market disruptions, we may experience reduced levels of client activity and demand for our products and services, increased utilization of lending commitments, significantly increased client defaults, continued and increasing credit and valuation losses in our loan portfolios, loan commitments and other assets, and impairments of other financial assets. A fall in equity markets and a consequent decline in invested assets would also reduce recurring fee income in our Global Wealth Management and Asset Management businesses, as UBS experienced in the second quarter of 2022. These factors and other consequences of the COVID-19 pandemic may negatively affect our financial condition, including possible constraints on capital and liquidity, as well as a higher cost of capital, and possible downgrades to our credit ratings.

The extent to which the pandemic, the ongoing Russia–Ukraine war, and current inflationary pressures and related adverse economic conditions affect our businesses, results of operations and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, including the effects of the current conditions on our clients, counterparties, employees and third-party service providers.

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

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

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

Interest rate trends and changes could negatively affect our financial results

UBS's businesses are sensitive to changes in interest rate trends. A prolonged period of low or negative interest rates, particularly in Switzerland and the Eurozone, adversely affected the net interest income generated by UBS's Personal & Corporate Banking and Global Wealth Management businesses prior to 2022. Actions that UBS took to mitigate adverse effects on income, such as the introduction of selective deposit fees or minimum lending rates, contributed to outflows of customer deposits (a key source of funding for UBS), net new money outflows and a declining market share in its Swiss lending business.

During 2022, interest rates increased sharply in the US and most other markets, including a shift from negative to positive central bank policy rates in the Eurozone and Switzerland, as central banks responded to higher inflation. Higher interest rates generally benefit UBS's net interest income. However, as returns on alternatives to deposits increase with rising interest rates, such as returns on money market funds, UBS has experienced outflows from customer deposits and shifts of deposits from lower-interest account types to accounts bearing higher interest rates, such as savings and certificates of deposit, particularly in the US, where rates have rapidly increased. Customer deposit outflows may require UBS to obtain alternative funding, which would likely be more costly than customer deposits.

Our shareholders' equity and capital are also affected by changes in interest rates.

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

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

Regulatory and legal risks

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If restructuring proceedings are opened with respect to UBS Group AG, UBS AG or UBS Switzerland AG, the resolution powers that FINMA may exercise include the power to: (i) transfer all or some of the assets, debt and other liabilities, and contracts of the entity subject to proceedings to another entity; (ii) stay for a maximum of two business days (a) the termination of, or the exercise of rights to terminate, netting rights, (b) rights to enforce or dispose of certain types of collateral or (c) rights to transfer claims, liabilities or certain collateral, under contracts to which the entity subject to proceedings is a party; and / or (iii) partially or fully write down the equity capital and regulatory capital instruments and, if such regulatory capital is fully written down, write down or convert into equity the 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 regulatory capital instruments of the entity subject to restructuring proceedings, the relevant shareholders and creditors would receive no payment in respect of the equity and debt that is written down, the write-down would be permanent, and the investors would likely not, at such time or at any time thereafter, receive any shares or other participation rights, or be entitled to any write-up or any other compensation in the event of a potential subsequent recovery of the debtor. If FINMA orders the conversion of debt of the entity subject to restructuring proceedings into equity, the securities received by the investors may be worth significantly less than the original debt and may have a significantly different risk profile. In addition, creditors receiving equity would be effectively subordinated to all creditors of the restructured entity in the event of a subsequent winding up, liquidation or dissolution of the restructured entity, which would increase the risk that investors would lose all or some of their investment.

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

Developments in sustainability, climate, environmental and social standards and regulations may affect our business and impact our ability to fully realize our goals

We have set ambitious goals for environmental, social and governance (ESG) matters. These goals include our ambitions for environmental sustainability in our operations, including carbon emissions, in the business we do with clients and in products that we offer. They also include goals or ambitions for diversity in our workforce and supply chain, and support for the United Nations Sustainable Development Goals. There is substantial uncertainty as to the scope of actions that may be required of us, governments and others to achieve the goals we have set, and many of our goals and objectives are only achievable with a combination of government and private action. National and international standards and expectations, industry and scientific practices, and regulatory taxonomies and disclosure obligations addressing these matters are relatively immature and are rapidly evolving. In many cases, goals and standards are defined at a high level and can be subject to different interpretations. In addition, there are significant limitations in the data available to measure our climate and other goals. Although we have defined and disclosed our goals based on the standards existing at the time of disclosure, there can be no assurance (i) that the various ESG regulatory and disclosure regimes under which we operate will not come into conflict with one another, (ii) that the current standards will not be interpreted differently than our understanding or change in a manner that substantially increases the cost or effort for us to achieve such goals or (iii) that additional data or methods, whether voluntary or required by regulation, may substantially change our calculation of our goals and aspirations. It is possible that such goals may prove to be considerably more difficult or even impossible to achieve. The evolving standards may also require us to substantially change the stated goals and ambitions. If we are not able to achieve the goals we have set, or can only do so at significant expense to our business, we may fail to meet regulatory expectations, incur damage to our reputation or be exposed to an increased risk of litigation or other adverse action.

While ESG regulatory regimes and international standards are being developed, including to require consideration of ESG risks in investment decisions, some jurisdictions, notably in the US, have developed rules restricting the consideration of ESG factors in investment and business decisions. Under these anti-ESG rules, companies that are perceived as boycotting or discriminating against certain industries may be restricted from doing business with certain governmental entities. Our businesses may be adversely affected if UBS is considered as discriminating against companies based on ESG considerations, or if further anti-ESG rules are developed or broadened.

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

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

Changes to IFRS or interpretations thereof may cause future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect our regulatory capital and ratios. For example, the introduction of the ECL regime under IFRS 9 in 2018 fundamentally changed how credit risk arising from loans, loan commitments, guarantees and certain revocable facilities is accounted for. Under the 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. As we observed in 2020, this effect may be more pronounced in a deteriorating economic environment. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect our CET1 capital and regulatory capital ratios.

We may be unable to maintain our capital strength

Capital strength enables us to grow our businesses and absorb increases in regulatory and capital requirements. It reassures our clients and stakeholders, allows us to maintain our capital return policy and contributes to our credit ratings. Our capital and leverage 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 of our control. Our ability to maintain our capital ratios is subject to numerous risks, including the financial results of our businesses, the effect of changes to capital standards, methodologies and interpretations that may adversely affect the calculation of our capital ratios, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar requirements to subsidiaries. The results of our businesses may be adversely affected by events arising from other risk factors described herein. In some cases, such as litigation and regulatory risk and operational risk events, losses may be sudden and large. These risks could reduce the amount of capital available for return to shareholders and hinder our ability to achieve our capital returns target of a progressive cash dividend coupled with a share repurchase program.

Our eligible capital may be reduced by losses recognized within net profit or other comprehensive income. Eligible capital may also be reduced for other reasons, including acquisitions that change the level of goodwill, changes in temporary differences related to DTAs included in capital, adverse currency movements affecting the value of equity, prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, changes in regulatory interpretations on the inclusion or exclusion of items contributing to our shareholders equity in regulatory capital, and changes in the value of certain pension fund assets and liabilities or in the interest rate and other assumptions used to calculate the changes in our net defined benefit obligation recognized in other comprehensive income.

RWA are driven by our business activities, by changes in the risk profile of our exposures, by changes in our foreign currency exposures and foreign exchange rates, and by regulation. For instance, substantial market volatility, a widening of credit spreads, adverse currency movements, increased counterparty risk, deterioration in the economic environment or increased operational risk could result in an increase in RWA. 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 finalization of the Basel III framework and Fundamental Review of the Trading Book promulgated by the BCBS, which are expected to increase our RWA.

The leverage ratio is a balance sheet-driven measure and therefore limits balance sheet-intensive activities, such as lending, more than activities that are less balance sheet intensive, and it may constrain our business even if we satisfy other risk-based capital requirements. Our leverage ratio denominator is driven by, among other things, the level of client activity, including deposits and loans, foreign exchange rates, interest rates and other market factors. Many of these factors are wholly or partly outside of our control.

The effect of taxes on our financial results is significantly influenced by tax law changes and reassessments of our deferred tax assets

Our effective tax rate is highly sensitive to our performance, our expectation of future profitability and any potential increases or decreases in statutory tax rates, such as any potential increase in the US federal corporate tax rate. Furthermore, based on prior years' tax losses, we have recognized DTAs reflecting the probable recoverable level based on future taxable profit as informed by our business plans. If our performance is expected to produce diminished taxable profit in future years, particularly in the US, we may be required to write down all or a portion of the currently recognized DTAs through the income statement in excess of anticipated amortization. This would have the effect of increasing our effective tax rate in the year in which any write-downs are taken. Conversely, if we expect the performance of entities in which we have unrecognized tax losses to improve, particularly in the US or the UK, we could potentially recognize additional DTAs. The effect of doing so would be to reduce our effective tax rate in years in which additional DTAs are recognized and to increase our effective tax rate in future years. Our effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US, which would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This, in turn, would cause a write-down of the associated DTAs. Conversely, an increase in US corporate tax rates would result in an increase in the Group's DTAs.

We generally revalue our DTAs in the fourth quarter of the financial year based on a reassessment of future profitability taking into account our updated business plans. We consider the performance of our businesses and the accuracy of historical forecasts, tax rates and other factors in evaluating the recoverability of our DTAs, including the remaining tax loss carry-forward period and our assessment of expected future taxable profits over the life of DTAs. Estimating future profitability is inherently subjective and is particularly sensitive to future economic, market and other conditions, which are difficult to predict.

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

Our full-year effective tax rate could change if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected, or if branches and subsidiaries generate tax losses that we cannot benefit from through the income statement. In particular, losses at entities or branches that cannot offset for tax purposes taxable profits in other Group entities, and which do not result in additional DTA recognition, may increase our effective tax rate. In addition, tax laws or the tax authorities in countries where we have undertaken legal structure changes may cause entities to be subject to taxation as permanent establishments or may prevent the transfer of tax losses incurred in one legal entity to newly organized or reorganized subsidiaries or affiliates or may impose limitations on the utilization of tax losses that relate to businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities to utilize the tax losses in the originating entity, the DTAs associated with such tax losses may be required to be written down through the income statement.

Changes in tax law may materially affect our effective tax rate, and, in some cases, may substantially affect the profitability of certain activities. In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws, including assertions that we are required to pay taxes in a jurisdiction as a result of activities connected to that jurisdiction constituting a permanent establishment or similar theory, and changes in our assessment of uncertain tax positions, could cause the amount of taxes we ultimately pay to materially differ from the amount accrued.

Strategy, management and operational risks

Operational risks affect our business

Our businesses depend on our ability to process a large number of transactions, many of which are complex, across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which we are subject and to prevent, or promptly detect and stop, unauthorized, fictitious or fraudulent transactions. We also rely on access to, and on the functioning of, systems maintained by third parties, including clearing systems, exchanges, information processors and central counterparties. Any failure of our or third-party systems could have an adverse effect on us. These risks may be greater as we deploy newer technologies, such as blockchain, or processes, platforms or products that rely on these technologies. Our operational risk management and control systems and processes are designed to help ensure that the risks associated with our activities – including those arising from process error, failed execution, misconduct, unauthorized trading, fraud, system failures, financial crime, cyberattacks, breaches of information security, inadequate or ineffective access controls and failure of security and physical protection – are appropriately controlled. If our internal controls fail or prove ineffective in identifying and remedying these risks, we could suffer operational failures that might result in material losses, such as the substantial loss we incurred from the unauthorized trading incident announced in September 2011.

As a significant proportion of our staff have been and will continue working from outside the office, we have faced, and will continue to face, new challenges and operational risks, including maintenance of supervisory and surveillance controls, as well as increased fraud and data security risks. While we have taken measures to manage these risks, such measures have never been tested on the scale or duration that we are currently experiencing, and there is risk that these measures will prove not to have been effective in the current unprecedented operating environment.

We use automation as part of our efforts to improve efficiency, reduce the risk of error and improve our client experience. We intend to expand the use of robotic processing, machine learning and artificial intelligence to further these goals. Use of these tools presents their own risks, including the need for effective design and testing; the quality of the data used for development and operation of machine learning and artificial intelligence tools may adversely affect their functioning and result in errors and other operational risks.

For financial institutions, cybersecurity risks have increased due to the widespread use of digital technologies, cloud computing and mobile devices to conduct financial business and transactions. In addition, cyberattacks by hackers, terrorists, criminal organizations, nation states and extremists have also increased in frequency and sophistication. Current geopolitical tensions have also led to increased risk of cyberattack from foreign state actors. In particular, the Russia–Ukraine war and the imposition of significant sanctions on Russia by Switzerland, the US, the EU, the UK and others has resulted and may continue to result in an increase in the risk of cyberattacks.

Financial services firms have increasingly 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 steal or destroy data. These attacks may occur on our own systems or on the systems that are operated by external service providers, may be attempted through the introduction of “ransomware,” viruses or malware, phishing and other forms of social engineering, distributed denial of service attacks and other means. These attempts may occur directly, or using equipment or security passwords of our employees, third-party service providers or other users. In addition to external attacks, we have experienced loss of client data from failure by employees and others to follow internal policies and procedures and from misappropriation of our data by employees and others. We may not be able to anticipate, detect or recognize threats to our systems or data and our preventative measures may not be effective to prevent an attack or a security breach. In the event of a security breach, notwithstanding our preventative measures, we may not immediately detect a particular breach or attack. Once a particular attack is detected, time may be required to investigate and assess the nature and extent of the attack, and to restore and test systems and data. If a successful attack occurs at a service provider, as we have recently experienced, we may be dependent on the service provider’s ability to detect the attack, investigate and assess the attack and successfully restore the relevant systems and data. A successful breach or circumvention of security of our or a service provider’s systems or data could have significant negative consequences for us, including disruption of our operations, misappropriation of confidential information concerning us or our clients, damage to our systems, financial losses for us or our clients, violations of data privacy and similar laws, litigation exposure and damage to our reputation. We may be subject to enforcement actions as regulatory focus on cybersecurity increases and regulators have announced new rules, guidance and initiatives on ransomware and other cybersecurity-related issues.

We are subject to complex and frequently changing laws and regulations governing the protection of client and personal data, such as the EU General Data Protection Regulation. Ensuring that we comply with applicable laws and regulations when we collect, use and transfer personal information requires substantial resources and may affect the ways in which we conduct our business. In the event that we fail to comply with applicable laws, we may be exposed to regulatory fines and penalties and other sanctions. We may also incur such penalties if our vendors or other service providers or clients or counterparties fail to comply with these laws or to maintain appropriate controls over protected data. In addition, any loss or exposure of client or other data may adversely damage our reputation and adversely affect our business.

A major focus of US and other countries’ governmental policies relating to financial institutions in recent years has been on fighting money laundering and terrorist financing. We are required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of our clients under the laws of many of the countries in which we operate. We are also subject to laws and regulations related to corrupt and illegal payments to government officials by others, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. We have implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. Notwithstanding this, US regulators have found deficiencies in the design and operation of anti-money laundering programs in our US operations. We have undertaken a significant program to address these regulatory findings with the objective of fully meeting regulatory expectations for our programs. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of our programs in these areas, could have serious consequences both from legal enforcement action and from damage to our reputation. Frequent changes in sanctions imposed and increasingly complex sanctions imposed on countries, entities and individuals, as exemplified by the breadth and scope of the sanctions imposed in relation to the war in Ukraine, increase our cost of monitoring and complying with sanctions requirements and increase the risk that we will not identify in a timely manner client activity that is subject to a sanction.

As a result of new and changed regulatory requirements and the changes we have made in our legal structure, the volume, frequency and complexity of our regulatory and other reporting has remained elevated. Regulators have also significantly increased expectations regarding our internal reporting and data aggregation, as well as management reporting. We have incurred, and continue to incur, significant costs to implement infrastructure to meet these requirements. Failure to meet external reporting requirements accurately and in a timely manner or failure to meet regulatory expectations of internal reporting, data aggregation and management reporting could result in enforcement action or other adverse consequences for us.

In addition, despite the contingency plans that we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses and the communities in which we operate. This may include a disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services that we use or that are used by third parties with whom we conduct business.

We may not be successful in the ongoing execution of our strategic plans

We have transformed UBS to focus on our Global Wealth Management business and our universal bank in Switzerland, complemented by Asset Management and a significantly smaller and more capital-efficient Investment Bank; we have substantially reduced the risk-weighted assets and leverage ratio denominator usage in Group Functions; and made significant cost reductions. Our ongoing strategic initiatives focus on growing our business in the Americas and in Asia Pacific, particularly China, and investing in technology to differentiate our service to clients, and implementing an agile mode of work. These measures will require significant change in our organization and we may not succeed in executing our strategy or achieving our performance targets, or may be delayed in doing so. Macroeconomic conditions, geopolitical uncertainty, changes to regulatory requirements and the continuing costs of meeting these requirements have prompted us to adapt our targets and ambitions in the past and we may need to do so again in the future.

To achieve our strategic plans, we expect to continue to make significant expenditures on technology and infrastructure to improve client experience, improve and further enable digital offerings and increase efficiency. We also may seek to implement our strategy through acquisitions or strategic partnerships to expand or improve our product offerings or target additional client segments. Our investments in new technology and our acquisitions and strategic partnerships may not be successfully completed, fully achieve our objectives or improve our ability to attract and retain clients. In addition, we face competition in providing digitally enabled offerings from both existing competitors and new financial service providers in various portions of the value chain. For example, technological advances and the growth of e-commerce have made it possible for e-commerce firms and other companies to offer products and services that were traditionally offered only by banks. These advances have also allowed financial institutions and other companies to provide digitally based financial solutions, including electronic securities trading, payments processing and online automated algorithmic-based investment advice at a low cost to their clients. We may have to lower our prices, or risk losing clients as a result. Our ability to develop and implement competitive digitally enabled offerings and processes will be an important factor in our ability to compete.

As part of our strategy, we seek to improve our operating efficiency, in part by controlling our costs. We may not be able to identify feasible cost reduction opportunities that are consistent with our business goals and cost reductions may be realized later or may be smaller than we anticipate. Higher temporary and permanent regulatory costs and higher business demand than anticipated have partly offset cost reductions and delayed the achievement of our past cost reduction targets, and we could continue to be challenged in the execution of our ongoing efforts to improve operating efficiency.

Changes in our workforce as a result of outsourcing, nearshoring, offshoring, insourcing or staff reductions, or changes that arise from the introduction of work from home or other flexible ways of working or agile work methodologies may introduce new operational risks that, if not effectively addressed, could affect our ability to achieve cost and other benefits from such changes, or could result in operational losses.

As we implement effectiveness and efficiency programs, we may also experience unintended consequences, such as the unintended loss or degradation of capabilities that we need in order to maintain our competitive position, achieve our targeted returns or meet existing or new regulatory requirements and expectations.

We depend on our risk management and control processes to avoid or limit potential losses in our businesses

Controlled risk-taking is a major part of the business of a financial services firm. Some losses from risk-taking activities are inevitable, but to be successful over time, we must balance the risks we take against the returns generated. Therefore, we must diligently identify, assess, manage and control our risks, not only in normal market conditions but also as they might develop under more extreme, stressed conditions, when concentrations of exposures can lead to severe losses.

We have not always been able to prevent serious losses arising from risk management failures and extreme or sudden market events. We recorded substantial losses on fixed-income trading positions in the 2008 financial crisis, in the unauthorized trading incident in 2011 and, more recently, positions resulting from the default of a US prime brokerage client. We revise and strengthen our risk management and control frameworks to seek to address identified shortcomings. Nonetheless, we could suffer further losses in the future if, for example:

- we do not fully identify the risks in our portfolio, in particular risk concentrations and correlated risks;
- our assessment of the risks identified, or our response to negative trends, proves to be untimely, inadequate, insufficient or incorrect;
- our risk models prove insufficient to predict the scale of financial risks the bank faces;
- markets move in ways that we do not expect – in terms of their speed, direction, severity or correlation – and our ability to manage risks in the resulting environment is, therefore, affected;
- third parties to whom we have credit exposure or whose securities we hold are severely affected by events and we suffer defaults and impairments beyond the level implied by our risk assessment; or
- collateral or other security provided by our counterparties and clients proves inadequate to cover their obligations at the time of default.

We also hold legacy risk positions, primarily in Group Functions, that, in many cases, are illiquid and may again deteriorate in value.

We also manage risk on behalf of our clients. The performance of assets we hold for our clients may be adversely affected by the same aforementioned factors. If clients suffer losses or the performance of their assets held with us is not in line with relevant benchmarks against which clients assess investment performance, we may suffer reduced fee income and a decline in assets under management, or withdrawal of mandates.

Investment positions, such as equity investments made as part of strategic initiatives and seed investments made at the inception of funds that we manage, may also be affected by market risk factors. These investments are often not liquid and generally are intended or required to be held beyond a normal trading horizon. Deteriorations in the fair value of these positions would have a negative effect on our earnings.

We may not be successful in implementing changes in our wealth management businesses to meet changing market, regulatory and other conditions

We are exposed to possible outflows of client assets in our asset-gathering businesses and to changes affecting the profitability of Global Wealth Management, in particular. Initiatives that we may implement to overcome the effects of changes in the business environment on our profitability, balance sheet and capital positions may not succeed in counteracting those effects and may cause net new money outflows and reductions in client deposits, as happened with our balance sheet and capital optimization program in 2015. There is no assurance that we will be successful in our efforts to offset the adverse effect of these or similar trends and developments.

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

The financial services industry is characterized by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. We face competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to us in their size and breadth, as well as competition from new technology-based market entrants, which may not be subject to the same level of regulation. Barriers to entry in individual markets and pricing levels are being eroded by new technology. We expect these trends to continue and competition to increase. Our competitive strength and market position could be eroded if we are unable to identify market trends and developments, do not respond to such trends and developments by devising and implementing adequate business strategies, do not adequately develop or update our technology, including our digital channels and tools, or are unable to attract or retain the qualified people needed.

The amount and structure of our employee compensation is affected not only by our business results, but also by competitive factors and regulatory considerations.

In response to the demands of various stakeholders, including regulatory authorities and shareholders, and in order to better align the interests of our staff with other stakeholders, we have increased average deferral periods for stock awards, expanded forfeiture provisions and, to a more limited extent, introduced clawback provisions for certain awards linked to business performance. We have also introduced individual caps on the proportion of fixed to variable pay for the Group Executive Board (GEB) members, as well as certain other employees.

Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect our ability to retain and attract key employees, particularly where we compete with companies that are not subject to these constraints. The loss of key staff and the inability to attract qualified replacements could seriously compromise our ability to execute our strategy and to successfully improve our operating and control environment, and could affect our business performance. Swiss law requires that shareholders approve the compensation of the Board of Directors (the BoD) and the GEB each year. If our shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on our ability to retain experienced directors and our senior management.

Our reputation is critical to our success

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

As UBS Group AG is a holding company, its operating results, financial condition and ability to pay dividends and other distributions and / or to pay its obligations in the future depend on funding, dividends and other distributions received directly or indirectly from its subsidiaries, which may be subject to restrictions

UBS Group AG's ability to pay dividends and other distributions and to pay its obligations in the future will depend on the level of funding, dividends and other distributions, if any, received from UBS AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS Group AG may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable law and regulatory, fiscal or other restrictions. In particular, UBS Group AG's direct and indirect subsidiaries, including UBS AG, UBS Switzerland AG, UBS Americas Holding LLC and UBS Europe SE, are subject to laws and regulations that restrict dividend payments, authorize regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS Group AG, or could affect their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group AG or another member of the Group. For example, in the early stages of the COVID-19 pandemic, the European Central Bank ordered all banks under its supervision to cease dividend distributions and the Federal Reserve Board has limited capital distributions by bank holding companies and intermediate holding companies. Restrictions and regulatory actions of this kind could impede access to funds that UBS Group AG may need to meet its obligations or to pay dividends to shareholders. In addition, UBS Group AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to all prior claims of the subsidiary's creditors.

Our capital instruments may contractually prevent UBS Group AG from proposing the distribution of dividends to shareholders, other than in the form of shares, and from engaging in repurchases of shares, if we do not pay interest on these instruments.

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

The credit ratings of UBS Group AG or its subsidiaries used for funding purposes could be lower than the ratings of the Group's operating subsidiaries, which may adversely affect the market value of the securities and other obligations of UBS Group AG or those subsidiaries on a standalone basis.

Liquidity and funding risk

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

The viability of our business depends on the availability of funding sources, and our success depends on our ability to obtain funding at times, in amounts, for tenors and at rates that enable us to efficiently support our asset base in all market conditions. Our funding sources have generally been stable, but could change in the future because of, among other things, general market disruptions or widening credit spreads, which could also influence the cost of funding. A substantial part of our liquidity and funding requirements are met using short-term unsecured funding sources, including retail and wholesale deposits and the regular issuance of money market securities. A change in the availability of short-term funding could occur quickly.

The addition of loss-absorbing debt as a component of capital requirements, the regulatory requirements to maintain minimum TLAC at UBS's holding company and at subsidiaries, as well as the power of resolution authorities to bail in TLAC instruments and other debt obligations, and uncertainty as to how such powers will be exercised, caused and may still cause further increase of our cost of funding, and could potentially increase the total amount of funding required, in the absence of other changes in our business.

Reductions in our credit ratings may adversely affect the market value of the securities and other obligations and increase our funding costs, in particular with regard to funding from wholesale unsecured sources, and could affect the availability of certain kinds of funding. In addition, as experienced in connection with Moody's downgrade of UBS AG's long-term debt rating in June 2012, rating downgrades can require us to post additional collateral or make additional cash payments under trading agreements. Our credit ratings, together with our capital strength and reputation, also contribute to maintaining client and counterparty confidence, and it is possible that rating changes could influence the performance of some of our businesses.

The requirement to maintain a liquidity coverage ratio of high-quality liquid assets to estimated stressed short-term net cash outflows, and other similar liquidity and funding requirements, oblige us to maintain high levels of overall liquidity, limit our ability to optimize interest income and expense, make certain lines of business less attractive and reduce our overall ability to generate profits. In particular, UBS AG is subjected to increased liquidity coverage requirements under the direction of FINMA. The liquidity coverage ratio and net stable funding ratio requirements are intended to ensure that we are not overly reliant on short-term funding and that we have sufficient long-term funding for illiquid assets. The relevant calculations make assumptions about the relative likelihood and amount of outflows of funding and available sources of additional funding in market-wide and firm-specific stress situations. In an actual stress situation, however, our funding outflows could exceed the assumed amounts.

Financial and operating performance

Management report

Accounting and financial reporting

Critical accounting estimates and judgments

In preparing our financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), we apply judgment and make estimates and assumptions that may involve significant uncertainty at the time they are made. We regularly reassess those estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, and update them as necessary. Changes in estimates and assumptions may have significant effects on the financial statements. Furthermore, actual results may differ significantly from our estimates, which could result in significant losses to the Group, beyond what we expected or provided for.

Key areas involving a high degree of judgment and areas where estimates and assumptions are significant to the consolidated financial statements include:

- expected credit loss measurement;
- fair value measurement;
- income taxes;
- provisions and contingent liabilities;
- post-employment benefit plans;
- goodwill; and
- consolidation of structured entities.

› Refer to “**Note 1a Material accounting policies**” in the “**Consolidated financial statements**” section of this report for more information

› Refer to the “**Risk factors**” section of this report for more information

Group performance

Income statement

| USD m | For the year ended | | | % change from |
|---|--------------------|---------------|---------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 | 31.12.21 |
| Net interest income | 6,621 | 6,705 | 5,862 | (1) |
| Other net income from financial instruments measured at fair value through profit or loss | 7,517 | 5,850 | 6,960 | 28 |
| Net fee and commission income | 18,966 | 22,387 | 19,186 | (15) |
| Other income | 1,459 | 452 | 1,076 | 223 |
| Total revenues | 34,563 | 35,393 | 33,084 | (2) |
| Credit loss expense / (release) | 29 | (148) | 694 | |
| Personnel expenses | 17,680 | 18,387 | 17,224 | (4) |
| General and administrative expenses | 5,189 | 5,553 | 4,885 | (7) |
| Depreciation, amortization and impairment of non-financial assets | 2,061 | 2,118 | 2,126 | (3) |
| Operating expenses | 24,930 | 26,058 | 24,235 | (4) |
| Operating profit / (loss) before tax | 9,604 | 9,484 | 8,155 | 1 |
| Tax expense / (benefit) | 1,942 | 1,998 | 1,583 | (3) |
| Net profit / (loss) | 7,661 | 7,486 | 6,572 | 2 |
| Net profit / (loss) attributable to non-controlling interests | 32 | 29 | 15 | 11 |
| Net profit / (loss) attributable to shareholders | 7,630 | 7,457 | 6,557 | 2 |
| Comprehensive income | | | | |
| Total comprehensive income | 3,167 | 5,119 | 8,312 | (38) |
| Total comprehensive income attributable to non-controlling interests | 18 | 13 | 36 | 39 |
| Total comprehensive income attributable to shareholders | 3,149 | 5,106 | 8,276 | (38) |

2022 compared with 2021

Results

In 2022, net profit attributable to shareholders increased by USD 173m, or 2%, to USD 7,630m, which included a net tax expense of USD 1,942m.

Operating profit before tax increased by USD 120m, or 1%, to USD 9,604m, reflecting lower operating expenses, partly offset by lower total revenues. Operating expenses decreased by USD 1,128m, or 4%, to USD 24,930m, which included positive foreign currency effects. This decrease was mainly driven by USD 707m lower personnel expenses and USD 364m lower general and administrative expenses. Net credit loss expenses were USD 29m, compared with net credit loss releases of USD 148m in the prior year. Total revenues decreased by USD 830m, or 2%, to USD 34,563m, which included negative foreign currency effects. Net fee and commission income decreased by USD 3,421m, partly offset by a USD 1,582m increase in total combined net interest income and other net income from financial instruments measured at fair value through profit or loss, as well as USD 1,007m higher other income.

Total revenues

Net interest income and other net income from financial instruments measured at fair value through profit or loss

Total combined net interest income and other net income from financial instruments measured at fair value through profit or loss increased by USD 1,582m to USD 14,137m.

Global Wealth Management increased by USD 1,014m to USD 6,355m, predominantly due to higher net interest income, mainly driven by an increase in deposit revenues, as rising interest rates led to higher deposit margins. This increase was partly offset by the effects of shifts to lower-margin products and higher interest rates paid to clients. In addition, loan revenues decreased, driven by lower loan margins.

The Investment Bank increased by USD 702m to USD 5,769m, mainly reflecting USD 803m higher net income in Financing, largely due to a loss of USD 861m incurred in the first half of 2021 on the default of a US-based client of our prime brokerage business. In addition, Derivatives & Solutions increased by USD 320m, driven by Rates and Foreign Exchange, which benefited from elevated volatility due to inflationary concerns and the actions of central banks, partly offset by decreases in Equity Derivatives and Credit revenues due to lower levels of client activity. The increases in Financing and Derivatives & Solutions were partly offset by a USD 409m decrease in Global Banking, mainly due to lower revenues in Leveraged Capital Markets.

Personal & Corporate Banking increased by USD 128m, predominantly driven by an increase in net interest income, mainly reflecting higher deposit revenues, as a result of rising interest rates. This increase was partly offset by a lower benefit from the Swiss National Bank deposit exemption and a decrease in deposit fees.

Group Functions recognized negative income of USD 649m, compared with negative income of USD 397m, mainly driven by higher funding costs related to deferred tax assets (DTAs) and capitalized software in Group Services and negative net effects of accounting asymmetries, including hedge accounting ineffectiveness, within Group Treasury. These changes were partly offset by higher valuation gains on auction rate and other securities in Non-core and Legacy Portfolio.

- › Refer to “Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss” in the “Consolidated financial statements” section of this report for more information

Net interest income and other net income from financial instruments measured at fair value through profit or loss

| USD m | For the year ended | | | % change from 31.12.21 |
|---|--------------------|---------------|---------------|---------------------------|
| | 31.12.22 | 31.12.21 | 31.12.20 | |
| Net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 5,218 | 5,274 | 4,563 | (1) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 1,403 | 1,431 | 1,299 | (2) |
| Other net income from financial instruments measured at fair value through profit or loss | 7,517 | 5,850 | 6,960 | 28 |
| Total | 14,137 | 12,555 | 12,822 | 13 |
| Global Wealth Management | 6,355 | 5,341 | 5,039 | 19 |
| of which: net interest income | 5,273 | 4,244 | 4,027 | 24 |
| of which: transaction-based income from foreign exchange and other intermediary activity ¹ | 1,082 | 1,097 | 1,012 | (1) |
| Personal & Corporate Banking | 2,685 | 2,557 | 2,459 | 5 |
| of which: net interest income | 2,191 | 2,120 | 2,049 | 3 |
| of which: transaction-based income from foreign exchange and other intermediary activity ¹ | 494 | 437 | 409 | 13 |
| Asset Management | (23) | (13) | (16) | 75 |
| Investment Bank ² | 5,769 | 5,067 | 5,643 | 14 |
| Global Banking | 187 | 596 | 585 | (69) |
| Global Markets | 5,582 | 4,471 | 5,057 | 25 |
| Group Functions | (649) | (397) | (302) | 64 |

¹ Mainly includes spread-related income in connection with client-driven transactions, foreign currency translation effects and income and expenses from precious metals, which are included in the income statement line Other net income from financial instruments measured at fair value through profit or loss. The amounts reported on this line are one component of Transaction-based income in the management discussion and analysis of Global Wealth Management and Personal & Corporate Banking in the “Global Wealth Management” and “Personal & Corporate Banking” sections of this report, respectively. ² Investment Bank information is provided at the business line level rather than by financial statement reporting line in order to reflect the underlying business activities, which is consistent with the structure of the management discussion and analysis in the “Investment Bank” section of this report.

Net fee and commission income

Net fee and commission income decreased by USD 3,421m to USD 18,966m.

Underwriting fees decreased by USD 884m to USD 579m, mainly driven by lower equity underwriting revenues from public offerings in the Investment Bank, reflecting lower levels of client activity.

Net brokerage fees decreased by USD 841m to USD 3,282m, driven by Global Wealth Management, reflecting lower levels of client activity, and by the Investment Bank, mainly in relation to Cash Equities, partly offset by higher net income from foreign exchange products.

Investment fund fees decreased by USD 848m, driven by Asset Management and Global Wealth Management, mainly reflecting negative market performance. In addition, performance-based fee income in Asset Management decreased, mainly in Hedge Fund Businesses and Equities. Fees for portfolio management and related services decreased by USD 703m, predominantly driven by Global Wealth Management, also reflecting negative market performance, partly offset by incremental revenues from net new fee-generating assets.

M&A and corporate finance fees decreased by USD 298m to USD 804m, primarily reflecting lower revenues from merger and acquisition transactions in our Global Banking business in the Investment Bank, due to a decrease in the number of transactions that closed in 2022.

- › Refer to “Note 4 Net fee and commission income” in the “Consolidated financial statements” section of this report for more information

Other income

Other income increased by USD 1,007m to USD 1,459m, mainly driven by higher gains from disposals of associates and subsidiaries, largely reflecting a gain of USD 848m in Asset Management on the sale of our shareholding in our Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc. In addition, there were gains in Global Wealth Management of USD 133m on the sale of our domestic wealth management business in Spain, USD 86m on the sale of UBS Swiss Financial Advisers AG and USD 41m on the sale of our US alternative investments administration business. These gains compared with a gain of USD 100m in 2021 in Global Wealth Management from the sale of our domestic wealth management business in Austria. In addition, we recognized USD 98m of gains related to the repurchase of UBS’s own debt instruments, compared with losses of USD 60m in the prior year. These gains were partly offset by USD 76m lower net gains from properties held for sale.

- › Refer to “Note 5 Other income” in the “Consolidated financial statements” section of this report for more information
- › Refer to “Note 29 Changes in organization and acquisitions and disposals of subsidiaries and businesses” in the “Consolidated financial statements” section of this report for more information about the gains from disposals of associates and subsidiaries

Credit loss expense / release

Total net credit loss expenses were USD 29m, compared with net credit loss releases of USD 148m in the prior year, reflecting net expenses of USD 29m related to stage 1 and 2 positions.

- › Refer to “Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement” and “Note 19 Expected credit loss measurement” in the “Consolidated financial statements” section of this report for more information about credit loss expenses / releases
- › Refer to the “Risk factors” section of this report for more information

Credit loss expense / (release)

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|--|--------------------------------|------------------------------------|---------------------|--------------------|--------------------|--------------|
| For the year ended 31.12.22 | | | | | | |
| Stages 1 and 2 | (5) | 27 | 0 | 6 | 1 | 29 |
| Stage 3 | 5 | 12 | 0 | (18) | 2 | 0 |
| Total credit loss expense / (release) | 0 | 39 | 0 | (12) | 3 | 29 |
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | (28) | (62) | 0 | (34) | 0 | (123) |
| Stage 3 | (1) | (24) | 1 | 0 | 0 | (25) |
| Total credit loss expense / (release) | (29) | (86) | 1 | (34) | 0 | (148) |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | 48 | 129 | 0 | 88 | 0 | 266 |
| Stage 3 | 40 | 128 | 2 | 217 | 42 | 429 |
| Total credit loss expense / (release) | 88 | 257 | 2 | 305 | 42 | 694 |

Operating expenses

Personnel expenses

Personnel expenses decreased by USD 707m to USD 17,680m, mainly driven by USD 352m lower variable compensation related to financial advisors, following a decrease in compensable revenues. Furthermore, salary costs decreased by USD 294m, as an underlying increase from higher salaries and an increase in the number of employees were more than offset by foreign currency translation effects. Other personnel expenses were USD 87m lower, primarily reflecting a decrease in the number of contractors.

- › Refer to the “Compensation” section of this report for more information
- › Refer to “Note 6 Personnel expenses,” “Note 26 Post-employment benefit plans” and “Note 27 Employee benefits: variable compensation” in the “Consolidated financial statements” section of this report for more information

General and administrative expenses

General and administrative expenses decreased by USD 364m to USD 5,189m, mainly reflecting USD 563m lower net expenses for litigation, regulatory and similar matters, as 2021 included expenses of USD 740m related to litigation provisions for the French cross-border matter. This was partly offset by higher expenses for travel and entertainment, technology, and consulting fees.

We believe that the industry continues to operate in an environment in which expenses associated with litigation, regulatory and similar matters will remain elevated for the foreseeable future, and we continue to be exposed to a number of significant claims and regulatory matters. The outcome of many of these matters, the timing of a resolution, and the potential effects of resolutions on our future business, financial results or financial condition are extremely difficult to predict.

- › Refer to “Note 7 General and administrative expenses” and “Note 17 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report for more information

Operating expenses

| USD m | For the year ended | | | % change from 31.12.21 |
|---|--------------------|---------------|--------------------|---------------------------|
| | 31.12.22 | 31.12.21 | 31.12.20 | |
| Personnel expenses | 17,680 | 18,387 | 17,224 | (4) |
| of which: salaries | 7,045 | 7,339 | 7,023 | (4) |
| of which: variable compensation | 7,954 | 8,280 | 7,520 ³ | (4) |
| of which: performance awards | 3,205 | 3,190 | 3,209 | 0 |
| of which: financial advisors ¹ | 4,508 | 4,860 | 4,091 | (7) |
| of which: other | 241 | 229 | 220 | 5 |
| of which: other personnel expenses ² | 2,681 | 2,768 | 2,680 ³ | (3) |
| General and administrative expenses | 5,189 | 5,553 | 4,885 | (7) |
| of which: net expenses for litigation, regulatory and similar matters | 348 | 911 | 197 | (62) |
| of which: other general and administrative expenses | 4,841 | 4,642 | 4,688 | 4 |
| Depreciation, amortization and impairment of non-financial assets | 2,061 | 2,118 | 2,126 | (3) |
| Total operating expenses | 24,930 | 26,058 | 24,235 | (4) |

¹ Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ² Consists of expenses related to contractors, social security, post-employment benefit plans, and other personnel expenses. Refer to "Note 6 Personnel expenses" in the "Consolidated financial statements" section of this report for more information. ³ During 2020, UBS modified the conditions for continued vesting of certain outstanding deferred compensation awards for qualifying employees, resulting in an expense of approximately USD 280m, of which USD 240m is disclosed within Variable compensation and USD 40m within Other personnel expenses in this table.

Tax

Income tax expenses of USD 1,942m were recognized for the Group in 2022, representing an effective tax rate of 20.2%, compared with USD 1,998m for 2021, which represented an effective tax rate of 21.1%. The income tax expenses for 2022 included Swiss tax expenses of USD 715m and non-Swiss tax expenses of USD 1,227m.

The Swiss tax expenses included current tax expenses of USD 730m related to taxable profits of UBS Switzerland AG and other Swiss entities. They also included a deferred tax benefit of USD 15m.

The non-Swiss tax expenses included current tax expenses of USD 718m related to taxable profits earned by non-Swiss subsidiaries and branches and net deferred tax expenses of USD 509m. Expenses of USD 678m, which primarily related to the amortization of DTAs previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc., were partly offset by a benefit of USD 169m in respect of net upward revaluations of DTAs for certain entities, primarily in connection with our business planning process.

The effective tax rate for the year of 20.2% is lower than our projected rate for the year of 24%, primarily as a result of the aforementioned deferred tax benefit of USD 169m in respect of net upward revaluations of DTAs and because no tax expenses were recognized in respect of pre-tax gains from dispositions of UBS subsidiaries in 2022.

Excluding any potential effects from the remeasurement of DTAs in connection with the business planning process and any material jurisdictional statutory tax rate changes that could be enacted, we expect a tax rate for 2023 of around 23%.

- › Refer to "Note 8 Income taxes" in the "Consolidated financial statements" section of this report for more information
- › Refer to the "Risk factors" section of this report for more information

Total comprehensive income attributable to shareholders

In 2022, total comprehensive income attributable to shareholders was USD 3,149m, reflecting net profit of USD 7,630m and negative other comprehensive income (OCI), net of tax, of USD 4,481m.

OCI related to cash flow hedges was negative USD 4,793m, mainly reflecting net unrealized losses on US dollar hedging derivatives resulting from significant increases in the relevant US dollar long-term interest rates.

Foreign currency translation OCI was negative USD 525m, mainly due to the weakening of the Swiss franc (1%) and the euro (6%) against the US dollar.

Defined benefit plan OCI, net of tax, was negative USD 10m. Total net pre-tax OCI related to the Swiss pension plan was negative USD 285m. This was predominantly driven by an extraordinary employer contribution of USD 209m that increased the gross plan assets and resulted in an offsetting OCI loss as no net pension asset could be recognized on the balance sheet as of 31 December 2022 due to the asset ceiling. As announced in 2018, UBS agreed to mitigate the effects from changes to the Swiss pension plan implemented in 2019 and contributed CHF 646m (USD 698m) in three installments in 2020, 2021 and 2022. The extraordinary contribution of USD 209m in the first quarter of 2022 reflected the third and final installment paid.

Total pre-tax OCI related to our non-Swiss pension plans was positive USD 212m, mostly driven by the UK pension plan, which recorded positive net pre-tax OCI of USD 162m. The positive OCI in the UK plan reflected gains of USD 1,474m from the remeasurement of the defined benefit obligation (DBO), partly offset by a negative return on plan assets of USD 1,312m. The DBO remeasurement effect was mainly driven by a gain of USD 1,451m due to an increase in the applicable discount rate.

OCI related to own credit on financial liabilities designated at fair value was positive USD 796m, primarily due to a widening of our own credit spreads.

- › Refer to “Statement of comprehensive income” in the “Consolidated financial statements” section of this report for more information
- › Refer to “Note 1b Changes in accounting policies, comparability and other adjustments” in the “Consolidated financial statements” section of this report for more information about the reclassification of a portfolio of assets from Financial assets measured at fair value through OCI to Other financial assets measured at amortized cost in 2022
- › Refer to “Note 20 Fair value measurement” in the “Consolidated financial statements” section of this report for more information about own credit on financial liabilities designated at fair value
- › Refer to “Note 25 Hedge accounting” in the “Consolidated financial statements” section of this report for more information about cash flow hedges of forecast transactions
- › Refer to “Note 26 Post-employment benefit plans” in the “Consolidated financial statements” section of this report for more information about OCI related to defined benefit plans

Sensitivity to interest rate movements

As of 31 December 2022, we estimate that a parallel shift in yield curves by +100 basis points could lead to a combined increase in annual net interest income of approximately USD 1.5bn in Global Wealth Management and Personal & Corporate Banking in the first year after such a shift. Of this increase, approximately USD 0.8bn, USD 0.4bn and USD 0.2bn would result from changes in Swiss franc, US dollar and euro interest rates, respectively. A parallel shift in yield curves by –100 basis points could lead to a combined decrease in annual net interest income of approximately USD 1.5bn in Global Wealth Management and Personal & Corporate Banking in the first year after such a shift, showing similar currency contributions as for the aforementioned increase in rates.

These estimates are based on a hypothetical scenario of an immediate change in interest rates, equal across all currencies and relative to implied forward rates as of 31 December 2022 applied to our banking book. These estimates further assume no change to balance sheet size and structure, constant foreign exchange rates, and no specific management action. The benefit of the negative rates exemption threshold provided by the Swiss National Bank is not in scope of this net interest income sensitivity disclosure. As average implied forward rates were above 100 basis points across all tenors as of 31 December 2022, the impact would have been negligible. These estimates do not represent a forecast of our net interest income and actual changes in net interest income could differ significantly from the amounts referred to above.

Seasonal characteristics

Our revenues may show seasonal patterns, notably in the Investment Bank and transaction-based revenues for Global Wealth Management, and typically reflect the highest client activity levels in the first quarter, with lower levels throughout the rest of the year, especially during the summer months and the end-of-year holiday season.

Key figures

Below we provide an overview of selected key figures of the Group. For further information about key figures related to capital management, refer to the “Capital, liquidity and funding, and balance sheet” section of this report.

Cost / income ratio

The cost / income ratio was 72.1%, compared with 73.6%, mainly reflecting a decrease in operating expenses, partly offset by a decrease in total revenues.

Return on common equity tier 1 capital

The annualized return on our common equity tier 1 (CET1) capital was 17.0%, compared with 17.5%, reflecting a USD 2.2bn increase in average CET1 capital, with a partly offsetting effect driven by a USD 173m increase in net profit attributable to shareholders.

CET1 capital

CET1 capital increased by USD 0.2bn to USD 45.5bn as of 31 December 2022, mainly as a result of operating profit before tax of USD 9.6bn with associated current tax expenses of USD 1.4bn, partly offset by share repurchases of USD 5.6bn under our share repurchase programs, dividend accruals of USD 1.7bn, negative foreign currency effects of USD 0.5bn and compensation- and own share-related capital components of USD 0.3bn.

Risk-weighted assets

Risk-weighted assets (RWA) increased by USD 17.4bn to USD 319.6bn, primarily driven by increases of USD 10.4bn in credit and counterparty credit risk RWA, USD 4.7bn in operational risk RWA, and USD 2.4bn in market risk RWA.

CET1 capital ratio

Our CET1 capital ratio decreased to 14.2% from 15.0%, mainly reflecting a USD 17.4bn increase in RWA.

Leverage ratio denominator

The leverage ratio denominator (the LRD) decreased by USD 40.4bn to USD 1,028.5bn, driven by currency effects of USD 24.5bn and a USD 15.9bn decrease due to asset size and other movements.

CET1 leverage ratio

Our CET1 leverage ratio increased to 4.42% from 4.24%, predominantly due to the aforementioned decrease in the LRD.

Going concern leverage ratio

Our going concern leverage ratio was unchanged at 5.7%, as the aforementioned decrease in the LRD was offset by a USD 2.2bn decrease in the going concern capital.

Personnel

The number of personnel employed as of 31 December 2022 increased by 1,212 to 72,597 (full-time equivalents) compared with 31 December 2021.

Equity, CET1 capital and returns

| USD m, except where indicated | As of or for the year ended | | |
|--|-----------------------------|----------|----------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Net profit | | | |
| Net profit attributable to shareholders | 7,630 | 7,457 | 6,557 |
| Equity | | | |
| Equity attributable to shareholders | 56,876 | 60,662 | 59,445 |
| Less: goodwill and intangible assets | 6,267 | 6,378 | 6,480 |
| Tangible equity attributable to shareholders | 50,609 | 54,283 | 52,965 |
| Less: other CET1 deductions | 5,152 | 9,003 | 13,075 |
| CET1 capital | 45,457 | 45,281 | 39,890 |
| Return on equity | | | |
| Return on equity (%) | 13.3 | 12.6 | 11.3 |
| Return on tangible equity (%) | 14.9 | 14.1 | 12.8 |
| Return on CET1 capital (%) | 17.0 | 17.5 | 17.4 |

Global Wealth Management

Global Wealth Management¹

| <i>USD m, except where indicated</i> | As of or for the year ended | | % change from |
|---|-----------------------------|---------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.21 |
| Results | | | |
| Net interest income | 5,273 | 4,244 | 24 |
| Recurring net fee income ² | 10,282 | 11,170 | (8) |
| Transaction-based income ² | 3,137 | 3,836 | (18) |
| Other income | 275 | 168 | 63 |
| Total revenues | 18,967 | 19,419 | (2) |
| Credit loss expense / (release) | 0 | (29) | |
| Operating expenses | 13,989 | 14,665 | (5) |
| Business division operating profit / (loss) before tax | 4,977 | 4,783 | 4 |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ² | 4.1 | 19.0 | |
| Cost / income ratio (%) ² | 73.8 | 75.5 | |
| Average attributed equity (USD bn) ³ | 20.0 | 18.8 | 6 |
| Return on attributed equity (%) ^{2,3} | 24.9 | 25.4 | |
| Financial advisor compensation ⁴ | 4,508 | 4,860 | (7) |
| Net new fee-generating assets (USD bn) ² | 60.1 | 106.9 | |
| Fee-generating assets (USD bn) ² | 1,271 | 1,482 | (14) |
| Fee-generating asset margin (bps) ² | 79.5 | 82.6 | |
| Net new money (USD bn) ² | 40.5 | 111.1 | |
| Invested assets (USD bn) ² | 2,815 | 3,303 | (15) |
| Loans, gross (USD bn) ⁵ | 225.0 | 234.1 | (4) |
| Customer deposits (USD bn) ⁵ | 348.2 | 369.8 | (6) |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ^{2,6} | 0.3 | 0.2 | |
| Advisors (full-time equivalents) | 9,215 | 9,329 | (1) |

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. Since the second quarter of 2022, assets related to our Global Financial Intermediaries business have been excluded from fee-generating assets, given that fee-generating investment management products, such as mandates, are not central to this business. Furthermore, client commitments into closed-ended private-market investment funds are included as fee-generating assets once recurring fees are charged, rather than when commitments are funded. These changes have been applied prospectively. ³ Refer to "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁴ Relates to licensed professionals with the ability to provide investment advice to clients in the Americas. Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. Recruitment loans to financial advisors were USD 1,751m as of 31 December 2022. ⁵ Loans and Customer deposits in this table include customer brokerage receivables and payables, respectively, which are presented in a separate reporting line on the balance sheet. ⁶ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures. Excludes loans to financial advisors.

2022 compared with 2021

Results

Profit before tax increased by USD 194m, or 4%, to USD 4,977m, mainly driven by lower operating expenses, as 2021 included expenses of USD 657m related to litigation provisions for the French cross-border matter, partly offset by lower total revenues.

Total revenues

Total revenues decreased by USD 452m, or 2%, to USD 18,967m, due to decreases across recurring net fee and transaction-based income, partly offset by increases in net interest and other income.

Net interest income increased by USD 1,029m, or 24%, to USD 5,273m, mainly due to an increase in deposit revenues, as rising interest rates led to higher deposit margins. This increase was partly offset by the effects of shifts to lower-margin products and higher interest rates paid to clients. Loan revenues decreased, driven by lower loan margins.

Recurring net fee income decreased by USD 888m, or 8%, to USD 10,282m, primarily driven by negative market performance and foreign currency effects, partly offset by incremental revenues from net new fee-generating assets.

Transaction-based income decreased by USD 699m, or 18%, to USD 3,137m, mainly reflecting lower levels of client activity in Asia Pacific, Americas and EMEA.

Other income increased by USD 107m to USD 275m, including a USD 133m gain from the sale of our domestic wealth management business in Spain, an USD 86m gain from the sale of UBS Swiss Financial Advisers AG and a USD 41m gain from the sale of our US alternative investments administration business in 2022. 2021 included a gain of USD 100m related to the sale of our domestic wealth management business in Austria. Additionally, 2022 included lower gains on our equity ownership of SIX Group and lower gains from sales of securities positions.

Credit loss expense / release

Net credit loss expenses were zero, as net expenses related to credit-impaired (stage 3) positions were entirely offset by net releases from stage 1 and 2 positions, compared with net releases of USD 29m.

Operating expenses

Operating expenses decreased by USD 676m, or 5%, to USD 13,989m, primarily due to 2021 including the aforementioned expenses of USD 657m related to litigation provisions for the French cross-border matter. Operating expenses in 2022 included lower personnel expenses, primarily as a result of lower financial advisor variable compensation following a decrease in compensable revenues, and benefited from positive foreign currency effects. These effects were partly offset by higher technology expenses and higher expenses for professional fees, travel and entertainment, outsourcing, and marketing in 2022.

Pre-tax profit growth

Pre-tax profit growth in 2022 was 4.1%, compared with 19.0% in 2021. Our target range is 10–15% over the cycle.

Cost / income ratio

The cost / income ratio decreased to 73.8% from 75.5%, reflecting positive operating leverage.

Fee-generating assets

Fee-generating assets decreased by USD 211bn, or 14%, to USD 1,271bn, mainly driven by net negative market performance and foreign currency effects. Net new fee-generating asset inflows were USD 60.1bn, with inflows in all regions, and resulted in an annualized net new fee-generating asset growth rate of 4.1%.

Loans

Loans decreased by USD 9.1bn, or 4%, to USD 225.0bn, primarily driven by negative foreign exchange effects and net new loan outflows of USD 2.5bn.

› Refer to the “Risk management and control” section of this report for more information

Customer deposits

Customer deposits decreased by USD 21.6bn to USD 348.2bn, mainly driven by US dollar deposit shifts into other products, as well as negative foreign currency effects.

Regional breakdown of performance measures

| <i>As of or for the year ended 31.12.22</i> <i>USD bn, except where indicated</i> | Americas ¹ | Switzerland | EMEA ² | Asia Pacific | Global Wealth Management ³ |
|--|-----------------------|-------------|-------------------|--------------|---------------------------------------|
| Total revenues (USD m) | 10,634 | 1,859 | 3,913 | 2,556 | 18,967 |
| Operating profit / (loss) before tax (USD m) | 1,748 | 817 | 1,490 | 943 | 4,977 |
| Cost / income ratio (%) ⁴ | 83.7 | 55.2 | 61.9 | 63.2 | 73.8 |
| Loans, gross | 101.2 ⁵ | 45.1 | 43.4 | 34.5 | 225.0 |
| Net new loans | 9.0 | 2.5 | (1.4) | (13.2) | (2.5) |
| Fee-generating assets ⁴ | 779 | 119 | 259 | 114 | 1,271 |
| Net new fee-generating assets ⁴ | 17.2 | 9.1 | 20.3 | 13.7 | 60.1 |
| Net new fee-generating asset growth rate (%) ⁴ | 1.9 | 7.0 | 6.1 | 11.8 | 4.1 |
| Invested assets ⁴ | 1,581 | 253 | 541 | 437 | 2,815 |
| Net new money ⁴ | 7.0 | 12.3 | 21.9 | (0.6) | 40.5 |
| Advisors (full-time equivalents) | 6,245 | 676 | 1,372 | 847 | 9,215 |

¹ Including the following business units: United States and Canada; and Latin America. ² Including the following business units: Europe; Central & Eastern Europe, Greece and Israel; and Middle East and Africa. ³ Including minor functions, which are not included in the four regions individually presented in this table, with USD 5m of total revenues, USD 21m of operating loss before tax, USD 0.7bn of loans, USD 0.6bn of net new loan inflows, USD 0.8bn of fee-generating assets, USD 0.1bn of net new fee-generating asset outflows, USD 3bn of invested assets, USD 0.1bn of net new money outflows and 74 advisors in 2022. ⁴ Refer to “Alternative performance measures” in the appendix to this report for the definition and calculation method. ⁵ Loans include customer brokerage receivables, which are presented in a separate reporting line on the balance sheet.

Regional comments: 2022 compared with 2021

Americas

Profit before tax decreased by USD 253m to USD 1,748m, mainly driven by higher operating expenses, including an increase in net expenses for litigation, regulatory and similar matters. Total revenues decreased by USD 22m to USD 10,634m, mainly driven by lower recurring net fee and transaction-based income, partly offset by higher net interest income. The cost / income ratio increased to 83.7% from 81.4%. Loans increased 10% to USD 101.2bn, reflecting USD 9.0bn of net new loan inflows. Net new fee-generating assets were USD 17.2bn.

Switzerland

Profit before tax increased by USD 67m to USD 817m, mostly driven by lower operating expenses, as 2021 included expenses of USD 85m related to litigation provisions for the French cross-border matter. Total revenues decreased by USD 41m to USD 1,859m, mainly driven by lower recurring net fee income, partly offset by higher net interest and transaction-based income. The cost / income ratio decreased to 55.2% from 60.8%. Loans increased 4% to USD 45.1bn, driven by net new loan inflows of USD 2.5bn, partly offset by negative foreign currency effects. Net new fee-generating assets were USD 9.1bn.

EMEA

Profit before tax increased by USD 678m to USD 1,490m, primarily driven by lower operating expenses, as 2021 included expenses of USD 572m related to litigation provisions for the French cross-border matter. Total revenues decreased by USD 35m to USD 3,913m, due to lower recurring net fee and transaction-based income, partly offset by an increase in net interest income, as well as an increase in other income, which was driven by the aforementioned gains from sales. The cost / income ratio decreased to 61.9% from 79.6%. Loans decreased 12% to USD 43.4bn, mainly reflecting negative foreign currency effects and net new loan outflows of USD 1.4bn. Net new fee-generating assets were USD 20.3bn.

Asia Pacific

Profit before tax decreased by USD 294m to USD 943m. Total revenues decreased by USD 343m to USD 2,556m, mostly driven by lower transaction-based and recurring net fee income, partly offset by an increase in net interest income. The cost / income ratio increased to 63.2% from 57.4%. Loans decreased 29% to USD 34.5bn, driven by net new loan outflows of USD 13.2bn, as clients reduced their debts in light of market uncertainty, as well as negative foreign currency effects. Net new fee-generating assets were USD 13.7bn.

Personal & Corporate Banking

Personal & Corporate Banking – in Swiss francs¹

| | As of or for the year ended | | % change from |
|---|-----------------------------|----------|---------------|
| <i>CHF m, except where indicated</i> | 31.12.22 | 31.12.21 | 31.12.21 |
| Results | | | |
| Net interest income | 2,087 | 1,941 | 8 |
| Recurring net fee income ² | 812 | 774 | 5 |
| Transaction-based income ² | 1,154 | 1,079 | 7 |
| Other income | 46 | 110 | (58) |
| Total revenues | 4,099 | 3,904 | 5 |
| Credit loss expense / (release) | 36 | (79) | |
| Operating expenses | 2,337 | 2,397 | (2) |
| Business division operating profit / (loss) before tax | 1,726 | 1,587 | 9 |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ² | 8.8 | 35.1 | |
| Cost / income ratio (%) ² | 57.0 | 61.4 | |
| Average attributed equity (CHF bn) ³ | 8.8 | 8.4 | 6 |
| Return on attributed equity (%) ^{2,3} | 19.5 | 19.0 | |
| Net interest margin (bps) ² | 147 | 140 | |
| Fee and trading income for Corporate & Institutional Clients ² | 810 | 791 | 2 |
| Investment products for Personal Banking (CHF bn) ² | 21.6 | 23.5 | (8) |
| Net new investment products for Personal Banking (CHF bn) ² | 1.99 | 2.66 | |
| Active Digital Banking clients in Personal Banking (%) ^{2,4} | 74.3 | 70.3 | |
| Active Mobile Banking clients in Personal Banking (%) ² | 56.5 | 46.7 | |
| Active Digital Banking clients in Corporate & Institutional Clients (%) ² | 80.0 | 79.3 | |
| Loans, gross (CHF bn) | 142.9 | 139.3 | 3 |
| Customer deposits (CHF bn) | 167.2 | 162.1 | 3 |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ^{2,5} | 0.8 | 0.9 | |

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ³ Refer to "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁴ In 2022, 86.0% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). ⁵ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

2022 compared with 2021

Results

Profit before tax increased by CHF 139m, or 9%, to CHF 1,726m, reflecting higher total revenues and lower operating expenses, partly offset by net credit loss expenses, compared with net credit loss releases in 2021.

Total revenues

Total revenues increased by CHF 195m, or 5%, to CHF 4,099m, reflecting increases across all income lines except other income.

Net interest income increased by CHF 146m to CHF 2,087m, mainly driven by higher deposit revenues, as a result of rising interest rates. This increase was partly offset by a lower benefit from the Swiss National Bank deposit exemption and lower deposit fees.

Recurring net fee income increased by CHF 38m to CHF 812m, primarily driven by higher revenues from account fees.

Transaction-based income increased by CHF 75m to CHF 1,154m, largely driven by higher revenues from credit card and foreign exchange transactions, reflecting a continued increase in spending on travel and leisure by clients following the easing of COVID-19-related restrictions in certain countries compared with 2021.

Other income decreased by CHF 64m to CHF 46m, mostly due to lower gains on our equity ownership of SIX Group. The prior year also included a gain of CHF 26m from the sale of several small properties in that year.

Credit loss expense / release

Net credit loss expenses were CHF 36m, compared with net releases of CHF 79m. Stage 1 and 2 net credit loss expenses were CHF 25m. Prior-year stage 1 and 2 net credit loss releases were CHF 57m, largely resulting from a partial release of a post-model adjustment during the year, as well as model updates. Stage 3 net credit loss expenses were CHF 11m, compared with net releases of CHF 23m in 2021.

Operating expenses

Operating expenses decreased by CHF 60m, or 2%, to CHF 2,337m, mostly due to 2021 including expenses of CHF 76m (USD 83m) related to litigation provisions for the French cross-border matter.

Cost / income ratio

The cost / income ratio was 57.0%, compared with 61.4% in 2021, reflecting both higher total revenues and lower operating expenses.

Personal & Corporate Banking – in US dollars¹

| | As of or for the year ended | | % change from |
|---|-----------------------------|--------------|---------------|
| <i>USD m, except where indicated</i> | 31.12.22 | 31.12.21 | 31.12.21 |
| Results | | | |
| Net interest income | 2,191 | 2,120 | 3 |
| Recurring net fee income ² | 852 | 846 | 1 |
| Transaction-based income ² | 1,212 | 1,178 | 3 |
| Other income | 48 | 119 | (60) |
| Total revenues | 4,302 | 4,263 | 1 |
| Credit loss expense / (release) | 39 | (86) | |
| Operating expenses | 2,452 | 2,618 | (6) |
| Business division operating profit / (loss) before tax | 1,812 | 1,731 | 5 |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ² | 4.7 | 37.5 | |
| Cost / income ratio (%) ² | 57.0 | 61.4 | |
| Average attributed equity (USD bn) ³ | 9.3 | 9.2 | 1 |
| Return on attributed equity (%) ^{2,3} | 19.5 | 18.9 | |
| Net interest margin (bps) ² | 146 | 142 | |
| Fee and trading income for Corporate & Institutional Clients ² | 851 | 864 | (1) |
| Investment products for Personal Banking (USD bn) ² | 23.4 | 25.8 | (9) |
| Net new investment products for Personal Banking (USD bn) ² | 2.11 | 2.90 | |
| Active Digital Banking clients in Personal Banking (%) ^{2,4} | 74.3 | 70.3 | |
| Active Mobile Banking clients in Personal Banking (%) ² | 56.5 | 46.7 | |
| Active Digital Banking clients in Corporate & Institutional Clients (%) ² | 80.0 | 79.3 | |
| Loans, gross (USD bn) | 154.6 | 152.8 | 1 |
| Customer deposits (USD bn) | 180.8 | 177.8 | 2 |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) ^{2,5} | 0.8 | 0.9 | |

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ³ Refer to "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁴ In 2022, 86.0% of clients of Personal Banking were "activated users" of Digital Banking (i.e., clients who had logged into Digital Banking at least once in the course of their relationship with UBS). ⁵ Refer to the "Risk management and control" section of this report for more information about (credit-)impaired exposures.

Asset Management

Asset Management¹

| USD m, except where indicated | As of or for the year ended | | % change from |
|---|-----------------------------|--------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.21 |
| Results | | | |
| Net management fees ² | 2,050 | 2,320 | (12) |
| Performance fees | 64 | 260 | (75) |
| Net gain from disposal of a joint venture / an associate | 848 | 37 | |
| Total revenues | 2,961 | 2,617 | 13 |
| Credit loss expense / (release) | 0 | 1 | |
| Operating expenses | 1,564 | 1,586 | (1) |
| Business division operating profit / (loss) before tax | 1,397 | 1,030 | 36 |

Performance measures and other information

| | | | |
|--|------|--------|------|
| Pre-tax profit growth (year-on-year, %) ³ | 35.7 | (29.2) | |
| Cost / income ratio (%) ³ | 52.8 | 60.6 | |
| Average attributed equity (USD bn) ⁴ | 1.7 | 2.0 | (13) |
| Return on attributed equity (%) ^{3,4} | 81.2 | 51.8 | |
| Gross margin on invested assets (bps) ³ | 28 | 23 | |

Information by business line / asset class

| Net new money (USD bn) ³ | | | |
|---|--------------|--------------|--|
| Equities | (12.8) | 10.3 | |
| Fixed Income | 36.5 | 22.7 | |
| <i>of which: money market</i> | <i>26.3</i> | <i>(3.1)</i> | |
| Multi-asset & Solutions | (1.3) | 6.8 | |
| Hedge Fund Businesses | 2.3 | 5.7 | |
| Real Estate & Private Markets | 0.2 | (0.6) | |
| Total net new money⁵ | 24.8 | 44.9 | |
| <i>of which: net new money excluding money market</i> | <i>(1.6)</i> | <i>48.0</i> | |

Invested assets (USD bn)³

| | | | |
|-------------------------------------|--------------|--------------|-------------|
| Equities | 456 | 580 | (21) |
| Fixed Income | 296 | 285 | 4 |
| <i>of which: money market</i> | <i>119</i> | <i>92</i> | <i>29</i> |
| Multi-asset & Solutions | 155 | 193 | (19) |
| Hedge Fund Businesses | 55 | 55 | 1 |
| Real Estate & Private Markets | 102 | 98 | 4 |
| Total invested assets | 1,064 | 1,211 | (12) |
| <i>of which: passive strategies</i> | <i>443</i> | <i>540</i> | <i>(18)</i> |

Information by region

| Invested assets (USD bn) ³ | | | |
|--|--------------|--------------|-------------|
| Americas | 298 | 287 | 4 |
| Asia Pacific | 150 | 190 | (21) |
| Europe, Middle East and Africa (excluding Switzerland) | 263 | 334 | (21) |
| Switzerland | 354 | 399 | (11) |
| Total invested assets | 1,064 | 1,211 | (12) |

Information by channel

| Invested assets (USD bn) ³ | | | |
|---------------------------------------|--------------|--------------|-------------|
| Third-party institutional | 606 | 707 | (14) |
| Third-party wholesale | 116 | 145 | (20) |
| UBS's wealth management businesses | 342 | 359 | (5) |
| Total invested assets | 1,064 | 1,211 | (12) |

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Net management fees include transaction fees, fund administration revenues (including net interest and trading income from lending activities and foreign exchange hedging as part of the fund services offering), distribution fees, incremental fund-related expenses, gains or losses from seed money and co-investments, funding costs, the negative pass-through impact of third-party performance fees, and other items that are not Asset Management's performance fees. ³ Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ⁴ Refer to "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁵ A net new money inflow of USD 4.1bn was recognized in the fourth quarter of 2022 for the provision of hedge fund services to Global Wealth Management Americas.

2022 compared with 2021

Results

Profit before tax increased by USD 367m, or 36%, to USD 1,397m. This increase reflected a gain of USD 848m from the sale of our shareholding in the Mitsubishi Corp.-UBS Realty Inc. joint venture in the second quarter of 2022. Profit before tax in 2021 included a post-tax gain of USD 37m related to the sale of our minority interest in Clearstream Fund Centre AG. Excluding these gains, profit before tax decreased by USD 443m, or 45%, to USD 550m, reflecting lower net management and performance fees.

► Refer to “Note 29 Changes in organization and acquisitions and disposals of subsidiaries and businesses” in the “Consolidated financial statements” section of this report for more information about the aforementioned sales

Total revenues

Total revenues increased by USD 344m, or 13%, to USD 2,961m. Excluding the aforementioned gains from sales, total revenues decreased by USD 466m, or 18%.

Net management fees decreased by USD 270m, or 12%, to USD 2,050m, on a lower average invested asset base, reflecting negative market performance and foreign currency effects.

Performance fees decreased by USD 196m to USD 64m, mainly in Hedge Fund Businesses and Equities.

Operating expenses

Operating expenses decreased by USD 22m, or 1%, to USD 1,564m, mainly reflecting positive foreign currency effects, lower personnel expenses and lower net expenses for litigation, regulatory and similar matters, as well as lower consulting expenses. These decreases were almost entirely offset by higher expenses for technology, market data services, travel, regulatory, and risk management.

Cost / income ratio

The cost / income ratio was 52.8%, compared with 60.6% in 2021. Excluding the aforementioned gains from sales, the cost / income ratio was 74.0%, compared with 61.5% in 2021.

Invested assets

Invested assets decreased to USD 1,064bn from USD 1,211bn, reflecting negative market performance of USD 137bn and negative foreign currency effects of USD 32bn, partly offset by net new money inflows of USD 25bn. Excluding money market flows, net new money was negative USD 2bn.

Investment performance

As of year-end 2022, Morningstar assigned a four- or five-star rating to 62% of our retail and institutional funds assets under management (AuM) (both actively managed and passive), on an AuM-weighted basis. Furthermore, 47% of our actively managed open-ended retail and institutional funds AuM are ranked, on an AuM-weighted basis over a three-year investment period, above their respective peer median.

Investment performance as of 31 December 2022

| In % | Total traditional investments | Equities | Fixed Income | Multi-asset |
|--|-------------------------------|----------|--------------|-------------|
| % of UBS Asset Management fund assets rated as 4- or 5-star ^{1,2} | 62 | 71 | 55 | 41 |
| % of UBS Asset Management fund assets above peer median over a 3-year investment period ^{1,3} | 47 | 46 | 52 | 44 |

¹ Morningstar® Essentials Quantitative Star Rating & Rankings; © Morningstar 2023, extract date 12 January 2023. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and / or its content providers; (2) may not be copied or distributed; (3) is not warranted to be accurate, complete or timely; and (4) does not constitute advice of any kind, whether investment, tax, legal or otherwise. User is solely responsible for ensuring that it complies with all laws, regulations and restrictions applicable to it. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information, except where such damages or losses cannot be limited or excluded by law in your jurisdiction. Past performance is no guarantee of future results. For more detailed information about the Morningstar Rating, including its methodology, please go to: https://s21.q4cdn.com/198919461/files/doc_downloads/othr_disclosure_materials/MorningstarRatingforFunds.pdf. ² Percentage of AuM to which Morningstar has assigned a four- or five-star rating. AuM reflect the AuM of Asset Management's retail and institutional funds (both actively managed and passive) across all domiciles for which Asset Management owns the investment performance, i.e., Asset Management is either the sole portfolio manager or co-portfolio manager. Universe is approximately 31% of all active and passive traditional assets of Asset Management (Equities, Fixed Income excluding money market, and Multi-asset) as of 31 December 2022. ³ Percentage of AuM above peer median over a three-year investment period. AuM reflect the AuM of Asset Management's actively managed open-ended retail and institutional funds across all domiciles for which Asset Management owns the investment performance, i.e., Asset Management is either the sole portfolio manager or co-portfolio manager. Universe is approximately 29% of all active traditional assets of Asset Management (Equities, Fixed Income excluding money market, and Multi-asset) as of 31 December 2022.

Investment Bank

Investment Bank¹

| <i>USD m, except where indicated</i> | As of or for the year ended | | % change from |
|---|-----------------------------|--------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.21 |
| Results | | | |
| Advisory | 733 | 988 | (26) |
| Capital Markets | 854 | 2,170 | (61) |
| Global Banking | 1,587 | 3,158 | (50) |
| Execution Services | 1,643 | 1,894 | (13) |
| Derivatives & Solutions | 3,665 | 3,422 | 7 |
| Financing | 1,822 | 979 | 86 |
| Global Markets | 7,129 | 6,296 | 13 |
| <i>of which: Equities</i> | <i>4,970</i> | <i>4,581</i> | <i>8</i> |
| <i>of which: Foreign Exchange, Rates and Credit</i> | <i>2,160</i> | <i>1,715</i> | <i>26</i> |
| Total revenues | 8,717 | 9,454 | (8) |
| Credit loss expense / (release) | (12) | (34) | (65) |
| Operating expenses | 6,832 | 6,858 | 0 |
| Business division operating profit / (loss) before tax | 1,897 | 2,630 | (28) |
| Performance measures and other information | | | |
| Pre-tax profit growth (year-on-year, %) ² | (27.9) | 5.9 | |
| Cost / income ratio (%) ² | 78.4 | 72.5 | |
| Average attributed equity (USD bn) ³ | 13.0 | 13.0 | 0 |
| Return on attributed equity (%) ^{2,3} | 14.6 | 20.3 | |
| Average VaR (1-day, 95% confidence, 5 years of historical data) | 10 | 11 | (5) |

¹ Comparative figures in this table may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period. ² Refer to "Alternative performance measures" in the appendix to this report for the definition and calculation method. ³ Refer to "Capital management" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information.

2022 compared with 2021

Results

Profit before tax decreased by USD 733m, or 28%, to USD 1,897m, driven by lower total revenues and lower net credit loss releases, partly offset by lower operating expenses.

Total revenues

Total revenues decreased by USD 737m, or 8%, to USD 8,717m, reflecting lower revenues in Global Banking, partly offset by higher revenues in Global Markets.

Global Banking

Global Banking revenues decreased by USD 1,571m, or 50%, to USD 1,587m, driven by Capital Markets and Advisory revenues, compared with a 43% decrease in the overall global fee pool.

Advisory revenues decreased by USD 255m, or 26%, to USD 733m, mostly due to lower merger and acquisition (M&A) transaction revenues, which decreased by USD 217m, or 25%, compared with a 21% decrease in the global M&A fee pool.

Capital Markets revenues decreased by USD 1,316m, or 61%, to USD 854m, primarily due to lower Equity Capital Markets (ECM) revenues, which decreased by USD 738m, or 71%, compared with a 67% decrease in the global ECM fee pool. Leveraged Capital Markets (LCM) fee revenues decreased by USD 297m, or 58%, compared with a 54% decrease in the global LCM fee pool.

Global Markets

Global Markets revenues increased by USD 833m, or 13%, to USD 7,129m, driven by higher revenues in our Financing and Derivatives & Solutions businesses, partly offset by lower revenues in Execution Services.

Execution Services revenues decreased by USD 251m, or 13%, to USD 1,643m, mainly driven by lower Cash Equities revenues.

Derivatives & Solutions revenues increased by USD 243m, or 7%, to USD 3,665m, mostly driven by an increase in Foreign Exchange and Rates, which benefited from elevated volatility due to inflationary concerns and the actions of central banks, partly offset by a decrease in Equity Derivatives revenues due to lower levels of client activity.

Financing revenues increased by USD 843m, or 86%, to USD 1,822m, predominantly due to 2021 including an USD 861m loss on the default of a US-based client of our prime brokerage business.

Global Markets Equities revenues increased by USD 389m, or 8%, to USD 4,970m, mainly driven by Equity Financing, due to the aforementioned loss in our prime brokerage business in 2021, partly offset by lower revenues in Cash Equities and Equity Derivatives.

Global Markets Foreign Exchange, Rates and Credit revenues increased by USD 445m, or 26%, to USD 2,160m, mostly driven by an increase in Foreign Exchange and Rates products, which benefited from elevated volatility due to inflationary concerns and the actions of central banks.

Credit loss expense / release

Net credit loss releases were USD 12m, primarily related to credit-impaired (stage 3) positions, compared with net releases of USD 34m in 2021.

Operating expenses

Operating expenses decreased by USD 26m, to USD 6,832m, with positive foreign currency effects being almost entirely offset by increases across a number of expense lines.

Cost / income ratio

The cost / income ratio increased to 78.4% from 72.5%, as total revenues decreased by 8% and operating expenses were in line with 2021.

Group Functions

Group Functions¹

| <i>USD m</i> | As of or for the year ended | | % change from |
|--|-----------------------------|----------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.21 |
| Results | | | |
| Total revenues | (385) | (359) | 7 |
| Credit loss expense / (release) | 3 | 0 | 801 |
| Operating expenses | 92 | 330 | (72) |
| Operating profit / (loss) before tax | (480) | (689) | (30) |
| <i>of which: Group Treasury</i> | (404) | (446) | (9) |
| <i>of which: Non-core and Legacy Portfolio</i> | 131 | (79) | |
| <i>of which: Group Services</i> | (206) | (165) | 25 |

¹ Comparatives may differ as a result of adjustments following organizational changes, restatements due to the retrospective adoption of new accounting standards or changes in accounting policies, and events after the reporting period.

2022 compared with 2021

Results

Group Functions recorded a loss before tax of USD 480m, compared with a loss of USD 689m.

Group Treasury

The Group Treasury result was negative USD 404m, compared with negative USD 446m.

The net effects of accounting asymmetries, including hedge accounting ineffectiveness, were negative USD 375m, compared with negative USD 341m. Accounting asymmetries are generally expected to mean revert to zero over time, though the length of time needed for full reversion can vary significantly, depending on market conditions.

Income related to centralized Group Treasury risk management was negative USD 2m, compared with negative USD 63m.

Non-core and Legacy Portfolio

The Non-core and Legacy Portfolio result was positive USD 131m, compared with negative USD 79m. This was mainly due to income of USD 114m related to a legacy litigation settlement and a legacy bankruptcy claim, and valuation gains of USD 81m on our USD 1.3bn portfolio of auction rate securities (ARS). Our remaining exposures to ARS were all rated investment grade as of 31 December 2022.

Group Services

The Group Services result was negative USD 206m, compared with negative USD 165m, mainly driven by higher funding costs related to deferred tax assets, partly offset by lower expenses relating to our legal entity transformation program.

Risk, capital, liquidity and funding, and balance sheet

Management report

Audited information according to IFRS 7 and IAS 1

Risk and capital disclosures provided in line with the requirements of International Financial Reporting Standard 7 (IFRS 7), *Financial Instruments: Disclosures*, and International Accounting Standard 1 (IAS 1), *Presentation of Financial Statements*, form part of the financial statements included in the “Consolidated financial statements” section of this report and are audited by the independent registered public accounting firm Ernst & Young Ltd, Basel. This information is marked as “Audited” within this section of the report. The risk profile of UBS AG consolidated does not differ materially from that of UBS Group AG consolidated. Audited information provided in the “Risk management and control” and “Capital, liquidity and funding, and balance sheet” sections applies to both UBS Group AG consolidated and UBS AG consolidated.

Signposts

The **Audited** signpost that is displayed at the beginning of a section, table or chart indicates that those items have been audited. A triangle symbol – ▲ – indicates the end of the audited section, table or chart.

Risk management and control

Table of contents

| | |
|------------|--|
| 84 | Overview of risks arising from our business activities |
| 85 | Risk categories |
| 86 | Top and emerging risks |
| 87 | Risk governance |
| 89 | Risk appetite framework |
| 92 | Internal risk reporting |
| 92 | Model risk management |
| 93 | Risk measurement |
| 96 | Credit risk |
| 111 | Market risk |
| 119 | Country risk |
| 122 | Sustainability and climate risk |
| 130 | Non-financial risk |

Risk management and control

Overview of risks arising from our business activities

Key risks by business division and Group Functions

| Business divisions and Group Functions | Key financial risks arising from business activities |
|---|---|
| Global Wealth Management | Credit risk from lending against securities collateral, including derivative trading activity, and lending against residential and commercial real estate collateral, as well as corporate and other lending. Market risk from municipal securities and taxable fixed-income securities. Interest rate risk in the banking book related to Global Wealth Management is transferred to and managed by Group Treasury. |
| Personal & Corporate Banking | Credit risk from retail business, mortgages, secured and unsecured corporate lending, commodity trade finance, lending to banks and other regulated clients, as well as a small amount of derivatives trading activity. Minimal contribution to market risk . Interest rate risk in the banking book related to Personal & Corporate Banking is transferred to and managed by Group Treasury. |
| Asset Management | Credit risk and market risk on client assets invested in Asset Management funds can impact management and performance fees and cause heightened fund outflows, liquidity risk and losses on our seed capital and co-investments. Small amounts of credit and market risk for on-balance sheet items. |
| Investment Bank | Credit risk from lending (take-and-hold, as well as temporary loan underwriting activities), derivatives trading and securities financing. Market risk from primary underwriting activities and secondary trading. |
| Group Functions | Credit and market risk arising from management of the Group's balance sheet, capital, profit or loss and liquidity portfolios. Structural risk arising from asset and liability management and liquidity and funding risk (managed by Group Treasury). |

Non-financial risks, which include operational, financial crime, compliance, conduct, model and reputational risks, are an inevitable consequence of being in business and can arise as a result of our past and current business activities across all business divisions and Group Functions.

› Refer to "Risk categories" in this section for more information about other financial and non-financial risks relevant to UBS

Key risk developments

Although 2022 was a challenging year for the global economy and most markets, our lending portfolio performed well, with low credit loss expenses and a USD 0.2bn reduction in credit-impaired exposure to USD 2.5bn. Overall, we saw a USD 6bn decrease in banking product exposure driven by lower balances at central banks and lower loans and advances to Global Wealth Management customers. Traded product exposures saw a decrease of USD 3bn across our business divisions.

Market risk remained stable and at low levels, as a result of our continued focus on managing tail risks.

Risk categories

We categorize the risk exposures of our business divisions and Group Functions as outlined in the table below. Our risk appetite framework is designed to capture all risk categories.

› Refer to “Risk appetite framework” in this section for more information

| | Risk managed by | Independent oversight by |
|---|---------------------------------------|--------------------------|
| Financial risks | | |
| <p>Audited Credit risk: the risk of loss resulting from the failure of a client or counterparty to meet its contractual obligations toward UBS. This includes settlement risk, loan underwriting risk and step-in risk.</p> <p>Settlement risk: the risk of loss resulting from transactions that involve exchange of value (e.g., security versus cash) where we must deliver without first being able to determine with certainty that we will receive the consideration.</p> <p>Loan underwriting risk: the risk of loss arising during the holding period of financing transactions that are intended for further distribution.</p> <p>Step-in risk: the risk that UBS may decide to provide financial support to an unconsolidated entity that is facing stress in the absence of, or in excess of, any contractual obligations to provide such support. ▲</p> | Business divisions | Risk Control |
| <p>Audited Market risk (traded and non-traded): the risk of loss resulting from adverse movements in market variables. Market variables include observable variables, such as interest rates, foreign exchange rates, equity prices, credit spreads and commodity (including precious metal) prices, as well as variables that may be unobservable or only indirectly observable, such as volatilities and correlations. Market risk includes issuer risk and investment risk.</p> <p>Issuer risk: the risk of loss from changes in fair value resulting from credit-related events affecting an issuer to which we are exposed through tradable securities or derivatives referencing the issuer.</p> <p>Investment risk: issuer risk associated with positions held as financial investments. ▲</p> | Business divisions and Group Treasury | Risk Control |
| <p>Country risk: the risk of loss resulting from country-specific events. Includes transfer risk, which involves a country’s authorities preventing or restricting the payment of an obligation, as well as systemic risk events arising from country-specific political or macroeconomic developments.</p> | Business divisions | Risk Control |
| <p>Sustainability and climate risk: the risk that UBS negatively impacts, or is impacted by, climate change, natural capital, human rights, and other environmental, social, governance (ESG) matters. Climate risks can arise from either changing climate conditions (physical risks) or from efforts to mitigate climate change (transition risks). Sustainability and climate risk may manifest as credit, market, liquidity, and / or non-financial risks for UBS, resulting in potential adverse financial, liability and / or reputation impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate).</p> | Business divisions | Risk Control |
| <p>Treasury risk: the risks associated with asset and liability management and our liquidity and funding positions, as well as structural exposures including pension risks.</p> <p>Audited Liquidity risk: the risk that the firm will not be able to efficiently meet both expected and unexpected current and forecast cash flows and collateral needs without affecting either daily operations or the financial condition of the firm. ▲</p> <p>Audited Funding risk: the risk that the firm will be unable, on an ongoing basis, to borrow funds in the market on an unsecured (or even secured) basis at an acceptable price to fund actual or proposed commitments, i.e., the risk that UBS’s funding capacity is not sufficient to support the firm’s current business and desired strategy. ▲</p> <p>Interest rate risk in the banking book: the risk to the bank’s capital and earnings arising from the adverse effects of interest rate movements on the bank’s banking book positions. The risk is transferred from the originating business units GWM and P&C to Group Treasury to risk manage this centrally and benefit from Group-wide netting while leaving the business units with margin management.</p> <p>Structural foreign exchange risk: the risk of decreases in our capital due to changes in foreign exchange rates with an adverse translation effect on capital held in currencies other than the US dollar.</p> <p>Pension risk: the risk of a negative impact on our capital as a result of deteriorating funded status from decreases in the fair value of assets held in defined benefit pension funds and / or changes in the value of defined benefit pension obligations due to changes in actuarial assumptions (e.g., discount rate, life expectancy, rate of pension increase) and / or changes to plan designs.</p> | Group Treasury | Risk Control |
| <p>Business risk: the potential negative impact on earnings from lower-than-expected business volumes and / or margins, to the extent they are not offset by a decrease in expenses. For example, changes in the competitive landscape, client behavior or market conditions can potentially have a negative impact.</p> | Group Treasury and Human Resources | Risk Control and Finance |
| | Business divisions | Risk Control and Finance |

| | Risk managed by | Independent oversight by |
|---|---|---|
| Non-financial risks | | |
| <p>Compliance risk: the risk of failure to comply with laws, rules and regulations, and internal policies and procedures.</p> <p>Employment risk: the risk of not adhering to the applicable employment law, regulatory requirements and human resources practices, as well as our own internal standards.</p> <p>Conduct risk: the risk that the conduct of the firm or its individuals unfairly impacts clients or counterparties, undermines the integrity of the financial system or impairs effective competition to the detriment of consumers.</p> | Business divisions | Group Compliance, Regulatory & Governance (GCRG) Human Resources GCRG |
| <p>Financial crime risk: the risk of failure to prevent financial crime (including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption).</p> | Business divisions and Financial Crime Prevention (FCP) | GCRG |
| <p>Operational risk: the risk resulting from inadequate or failed internal processes, people or systems, or from external causes (deliberate, accidental or natural).</p> <p>Cybersecurity and information security risk: the risk of a malicious internal or external act, or a failure of IT hardware or software, or human error, leading to a material impact on confidentiality, integrity or availability of UBS's data or information systems.</p> <p>Model risk: the risk of adverse consequences (e.g., financial loss, due to legal matters, operational loss, biased business decisions, or reputational damage) resulting from decisions based on incorrect / inadequate or misused model outputs and reports.</p> | Business divisions Business divisions and the Chief Digital and Information Office (the CDIO) Model owner | GCRG GCRG Risk Control |
| <p>Legal risk: the financial or reputational implications resulting from the risk of: (i) being held liable for a breach of applicable laws, rules or regulations; (ii) being held liable for a breach of contractual or other legal obligations; (iii) an inability or failure to enforce or protect contractual rights or non-contractual rights sufficiently to protect UBS's interests, including the risk of being party to a claim in respect of any of the above (and the risk of loss of attorney-client privilege in the context of any such claim); (iv) a failure to adequately develop, supervise and resource legal teams or adequately supervise external legal counsel advising on business legal risk and other matters; and (v) a failure to adequately manage any potential, threatened and commenced litigation and legal proceedings, including civil, criminal, arbitration and regulatory proceedings, and / or litigation risk or any dispute or investigation that may lead to litigation or threat of any litigation.</p> | Business divisions | Legal |
| <p>Reputational risk: the risk of loss of and damage to reputation, loss of clients and investor confidence within the financial system.</p> | All businesses and functions | All control functions |

Top and emerging risks

The top and emerging risks disclosed below reflect those that we currently think have the potential to materialize within one year and which could significantly affect the Group. Investors should also carefully review all information set out in the "Risk factors" section of this report, where we discuss these and other material risks that we consider could have an effect on our ability to execute our strategy and may affect our business activities, financial condition, results of operations and business prospects.

- We remain watchful of a range of geopolitical developments across the world, including the Russia–Ukraine war, US–China and US–Iran tensions, and political changes in a number of countries. Geopolitical tensions will continue to create uncertainty, while the Russia–Ukraine war complicates the energy price outlook.
- Inflation appears to be moderating in the US and Europe, but there continue to be concerns regarding a potential resurgence and regarding the timing and extent of central bank policy responses (i.e., interest rate hikes and the tapering of quantitative easing).
- We are exposed to a number of macroeconomic issues, as well as general market conditions. As noted in "Market, credit and macroeconomic risks" in the "Risk factors" section of this report, these external pressures may have a significant adverse effect on our business activities and related financial results, primarily through reduced margins and revenues, asset impairments and other valuation adjustments. Accordingly, these macroeconomic factors are considered in the development of stress-testing scenarios for our ongoing risk management activities.
- We are exposed to substantial changes in the regulation of our businesses that could have a material adverse effect on our business, as discussed in the "Regulatory and legal developments" section of this report and in "Regulatory and legal risks" in the "Risk factors" section of this report.

- As a global financial services firm, we are subject to many different legal, tax and regulatory regimes and extensive regulatory oversight. We are exposed to significant liability risk, and we are subject to various claims, disputes, legal proceedings and government investigations, as noted in “Regulatory and legal risks” in the “Risk factors” section of this report. Information about litigation, regulatory and similar matters we consider significant is disclosed in “Note 17 Provisions and contingent liabilities” in the “Consolidated financial statements” section of this report.
- The geopolitical situation increases the likelihood of external state-driven cyber activity, and attacks are becoming increasingly sophisticated, which may result in business disruption or the corruption or loss of data. Additionally, as a result of the dynamic and material nature of recent geopolitical, environmental and health threats and the operational complexity of all our businesses, we are continually exposed to operational resilience scenarios such as process error, failed execution, system failures and fraud.
- Conduct risks are inherent in our businesses. Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to us. Management of conduct risks is an integral part of our risk management framework.
- Financial crime (including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption) presents significant risk. Heightened regulatory expectations and attention require investment in people and systems, while emerging technologies and changing geopolitical risks further increase the complexity of identifying and preventing financial crime. Refer to “Non-financial risk” in this section and “Strategy, management and operational risks” in the “Risk factors” section of this report for more information.
- ESG / sustainability and climate risks are in the focus of regulators and other stakeholders, in particular climate risks, nature-related risk and concerns about greenwashing, where UBS may be subject to reputational risk if not fully aligned with sustainability-related criteria. New standards and rules are developing in several jurisdictions, with the risk of divergent rules increasing and leading to an increased risk that UBS may not comply with all relevant regulations. Refer to “Sustainability and climate risk” and “Non-financial risk” in this section.
- New risks continue to emerge. For example, client demand for distributed ledger technology, blockchain-based assets and virtual currencies creates new risks, to which we currently have limited exposure and for which relevant control frameworks are being implemented.

Risk governance

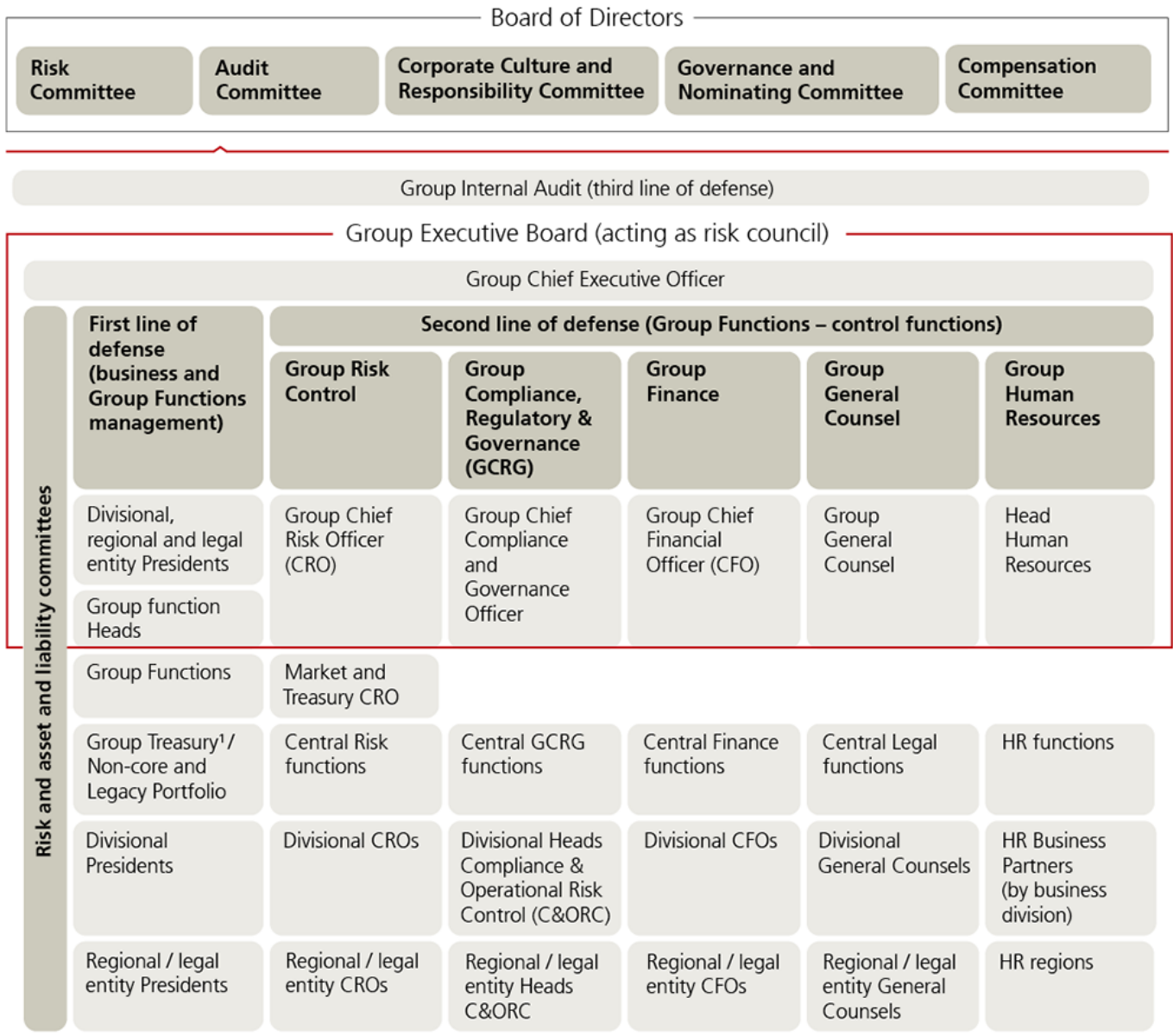
Our risk governance framework operates along three lines of defense.

Our first line of defense, business management, owns its risks and is accountable for maintaining effective processes and systems to manage them in compliance with applicable laws, rules and regulations, as well as internal standards, including identifying control weaknesses and inadequate processes.

Our second line of defense, control functions, is separate from the business and reports directly to the Group CEO. Control functions provide independent oversight, challenge financial and non-financial risks arising from the firm’s business activities, and establish independent frameworks for risk assessment, measurement, aggregation, control and reporting, protecting against non-compliance with applicable laws, rules and regulations.

Our third line of defense, Group Internal Audit (GIA), reports to the Chairman and to the Audit Committee. This function assesses the design and operating effectiveness and sustainability of processes to define risk appetite, governance, risk management, internal controls, remediation activities and processes to comply with legal and regulatory requirements and internal governance standards.

The key roles and responsibilities for risk management and control are shown in the chart below and described further below.



¹ Part of Group Finance.

Audited | The Board of Directors (the BoD) approves the risk management and control framework of the Group, including the Group and business division overall risk appetite. The BoD is supported by its Risk Committee, which monitors and oversees the Group’s risk profile and the implementation of the risk framework approved by the BoD, and approves the Group’s risk appetite methodology. The Corporate Culture and Responsibility Committee (the CCRC) helps the BoD meet its duty to safeguard and advance UBS’s reputation for responsible and sustainable conduct, reviewing stakeholder concerns and expectations pertaining to UBS’s societal contribution and corporate culture. The Audit Committee assists the BoD with its oversight duty relating to financial reporting and internal controls over financial reporting, and the effectiveness of whistleblowing procedures and the external and internal audit functions.

The *Group Executive Board* (the GEB) has overall responsibility for establishing and implementing a risk management and control framework in the Group, managing the risk profile of the Group as a whole.

The *Group Chief Executive Officer* has responsibility and accountability for the management and performance of the Group, has risk authority over transactions, positions and exposures, and allocates business divisions and Group Functions risk limits approved by the BoD.

The *business division Presidents and Group functional heads* are responsible for the operation and management of their business divisions / Group Functions, including controlling the dedicated financial resources and risk appetite of the business divisions.

The *regional Presidents* ensure cross-divisional collaboration in their regions and are mandated to inform the GEB about any regional activities and issues that may give rise to actual or potentially material regulatory or reputational concerns.

The *Group Chief Risk Officer* (the Group CRO) is responsible for developing the Group's risk management and control framework (including risk principles and risk appetite) for credit, market, country, treasury, model and sustainability and climate risks. This includes risk measurement and aggregation, portfolio controls and risk reporting. The Group CRO sets risk limits and approves credit and market risk transactions and exposures. Risk Control is also the central function for model risk management and control for all models used in UBS. A framework of policies and authorities support the risk control process.

The *Group Chief Compliance and Governance Officer* is responsible for developing the Group's non-financial risk framework, which sets the general requirements for identification, management, assessment and mitigation of non-financial risk, and for ensuring that all non-financial risks are identified, owned and managed according to the non-financial risk appetite objectives, supported by an effective control framework.

The *Group Chief Financial Officer* is responsible for transparency in assessing the financial performance of the Group and the business divisions, and for managing the Group's financial accounting, controlling, forecasting, planning and reporting. Additional responsibilities include managing UBS's tax affairs, as well as treasury and capital management, including liquidity and funding risk and UBS's regulatory ratios, Finance Artificial Intelligence & Data Analytics strategy and Group M&A.

The *Group General Counsel* manages the Group's legal affairs (including litigation involving UBS), ensuring effective and timely assessment of legal matters impacting the Group or its businesses, and managing and reporting all litigation matters.

The *Head Human Resources* is responsible for independent oversight and challenge of employment-related risks.

Group Internal Audit (GIA) independently assesses the effectiveness of processes to define strategy and risk appetite and overall adherence to the approved strategy. It also assesses the effectiveness of governance processes and risk management, including compliance with legal and regulatory requirements and internal governance documents. The Head GIA reports to the Chairman of the BoD. GIA also has a functional reporting line to the BoD Audit Committee.

Some of these roles and responsibilities are replicated for significant legal entities of the Group. Designated *legal entity risk officers* oversee and control financial and non-financial risks for significant legal entities of UBS as part of the legal entity control framework, which complements the Group's risk management and control framework. ▲

Risk appetite framework

We have a defined Group-level risk appetite, covering all financial and non-financial risk types, via a complementary set of qualitative and quantitative risk appetite statements. This is reviewed and recalibrated annually and presented to the BoD for approval.

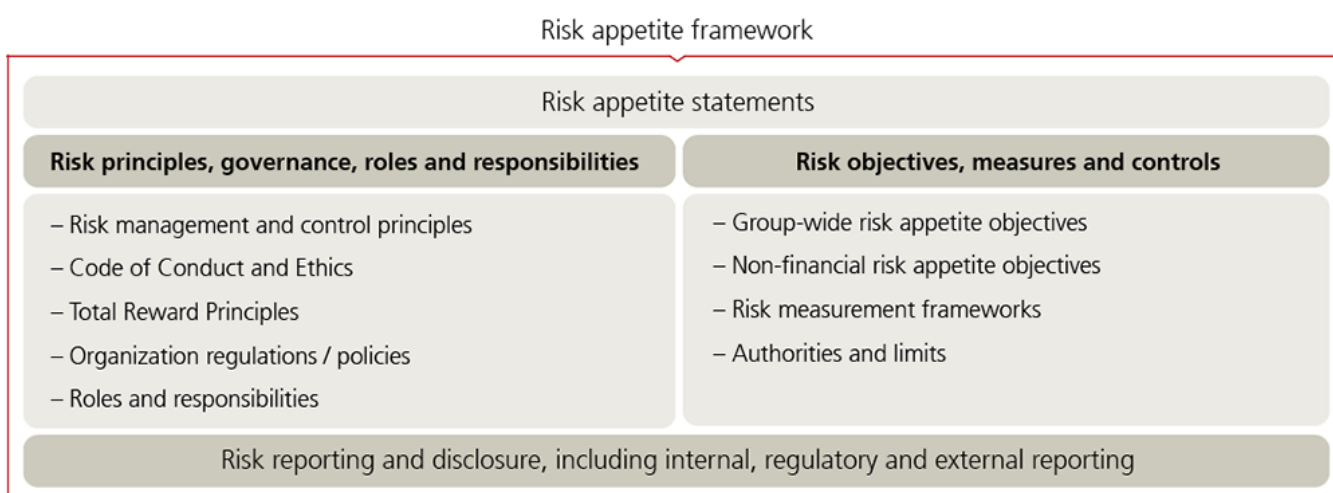
Our risk appetite is defined at the aggregate Group level and reflects the types of risk that we are willing to accept or wish to avoid. It is set via complementary qualitative and quantitative risk appetite statements defined at a firm-wide level and is embedded throughout our business divisions and legal entities by Group, business division and legal entity policies, limits and authorities. Our risk appetite is reviewed and recalibrated annually, with the aim of ensuring that risk-taking at every level of the organization is in line with our strategic priorities, our capital and liquidity plans, our *Pillars, Principles and Behaviors*, and minimum regulatory requirements. The "Risk appetite framework" chart below shows the key elements of the framework, which is described in detail in this section.

Qualitative risk appetite statements aim to ensure we maintain the desired risk culture. Quantitative risk appetite objectives are designed to enhance UBS's resilience against the effects of potential severe adverse economic or geopolitical events. These risk appetite objectives cover UBS's minimum capital and leverage ratios, solvency, earnings, liquidity and funding, and are subject to periodic review, including the yearly business planning process. These objectives are complemented by non-financial risk appetite objectives, which are set for each of our non-financial risk categories. A standardized quantitative firm-wide non-financial risk appetite has been established at the Group and business division levels. Non-financial risk events exceeding predetermined risk tolerances, expressed as percentages of UBS's total revenue, must be escalated as per the firm-wide escalation framework to the respective business division President or higher, as appropriate.

The quantitative risk appetite objectives are supported by a comprehensive suite of risk limits set at a portfolio level to monitor specific portfolios and to control potential risk concentrations.

The status of risk appetite objectives is evaluated each month and reported to the BoD and the GEB. As our risk appetite may change over time, portfolio limits and associated approval authorities are subject to periodic reviews and changes, particularly in the context of our annual business planning process.

Our risk appetite framework is governed by a single overarching policy and conforms to the Financial Stability Board's Principles for an Effective Risk Appetite Framework.



Risk principles and risk culture

Maintaining a strong risk culture is a prerequisite for success in today’s highly complex operating environment and a source of sustainable competitive advantage.

Our risk appetite framework combines all the important elements of our risk culture, expressed in our *Pillars, Principles and Behaviors*, our risk management and control principles, our Code of Conduct and Ethics, and our Total Reward Principles. Together these aim to align our decisions with the Group’s strategy, principles and risk appetite. They help create a solid foundation for promoting risk awareness, leading to appropriate risk-taking and the establishing of robust risk management and control processes. These principles are supported by a range of initiatives covering employees at all levels, for example the *UBS House View on Leadership*, which is a set of explicit expectations that establishes consistent leadership standards across UBS, and our Principles of Good Supervision, which establish clear expectations of managers and employees regarding supervisory responsibilities, specifically: to take responsibility; to know and organize their business; to know their employees and what they do; to create a good risk culture; and to respond to and resolve issues.

- › Refer to “Employees” in the “How we create value for our stakeholders” section of this report for more information about our Pillars, Principles and Behaviors
- › Refer to the Code of Conduct and Ethics of UBS at ubs.com/code for more information

Risk management and control principles

| | |
|---|---|
| Protection of financial strength | Protecting UBS’s financial strength by controlling our risk exposure and avoiding potential risk concentrations at individual exposure levels, at specific portfolio levels and at an aggregate firm-wide level across all risk types. |
| Protection of reputation | Protecting our reputation through a sound risk culture characterized by a holistic and integrated view of risk, performance and reward, and through full compliance with our standards and principles, particularly our Code of Conduct and Ethics. |
| Business management accountability | Maintaining management accountability, whereby business management owns all risks assumed throughout the Group and is responsible for the continuous and active management of all risk exposures to provide for balanced risk and return. |
| Independent controls | Independent control functions that monitor the effectiveness of the businesses’ risk management and oversee risk-taking activities. |
| Risk disclosure | Disclosure of risks to senior management, the BoD, investors, regulators, credit rating agencies and other stakeholders with an appropriate level of comprehensiveness and transparency. |

Whistleblowing policies and procedures exist to encourage an environment where staff are comfortable raising concerns. There are multiple channels via which individuals may, either openly or anonymously, escalate suspected breaches of laws, regulations, rules and other legal requirements, our Code of Conduct and Ethics, policies or relevant professional standards. We are committed to ensuring there is appropriate training and communication to staff and legal entity representatives, including information about new regulatory requirements.

Mandatory training programs cover various compliance-related and risk-related topics, including operational risk and anti-money laundering. Additional specialized training is provided depending on employees’ specific roles and responsibilities; e.g., credit risk and market risk training for those working in trading areas. Our non-financial risk framework aims to identify and manage financial, regulatory and reputational risks, as well as risks to clients and markets.

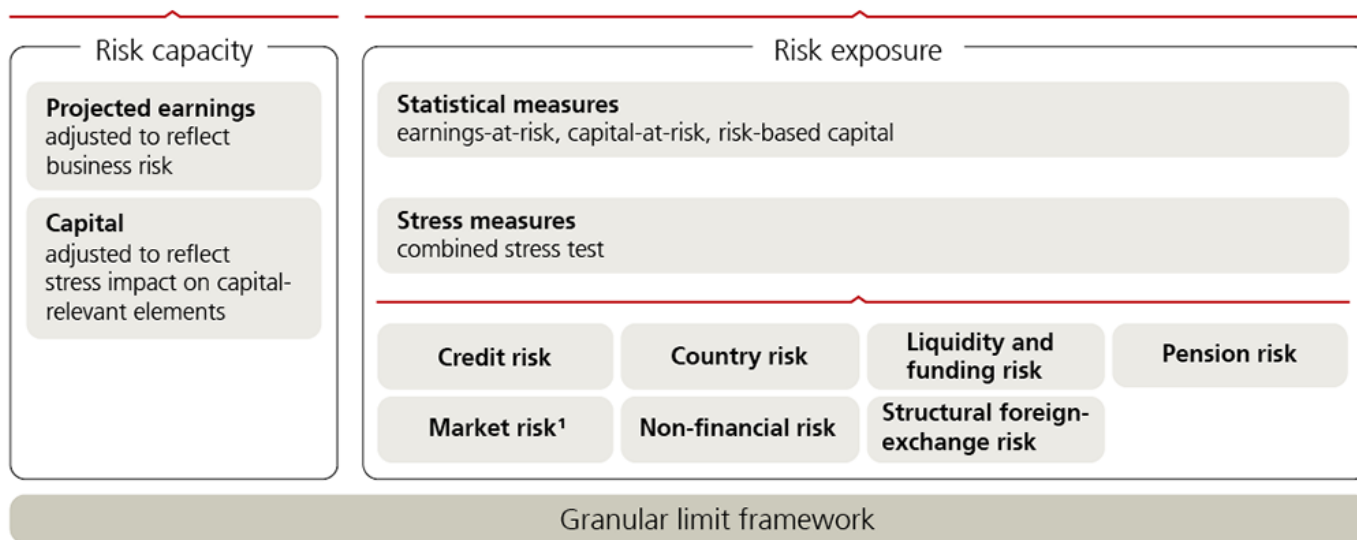
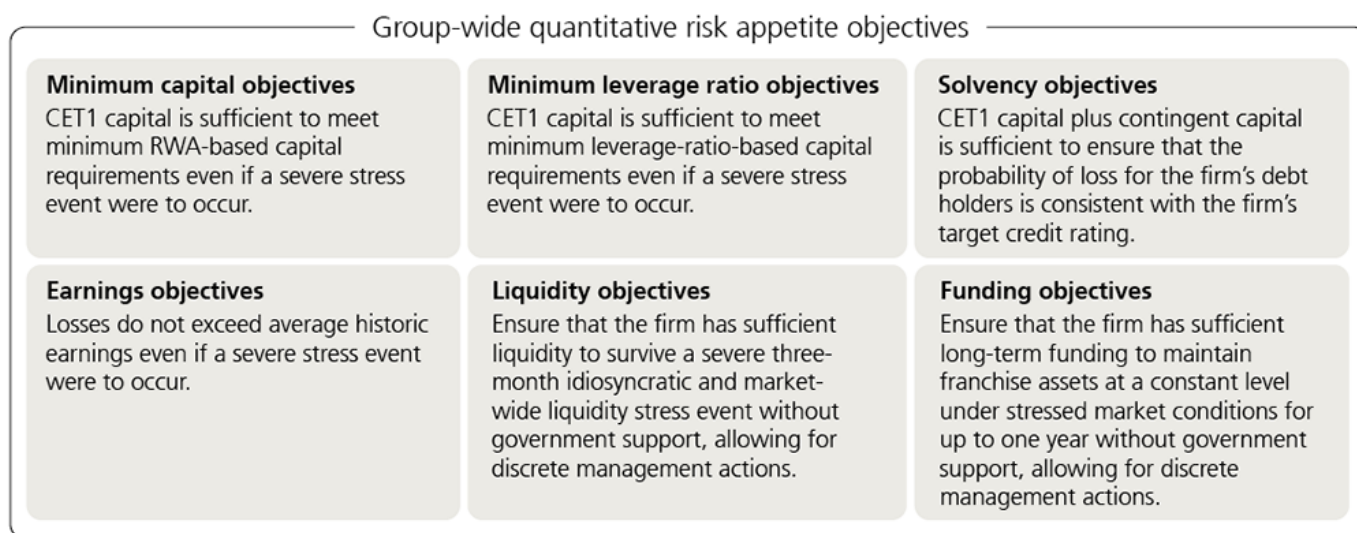
Quantitative risk appetite objectives

Our quantitative risk appetite objectives aim to ensure that our aggregate risk exposure remains within desired risk capacity, based on capital and business plans. The specific definition of risk capacity for each objective is aimed at ensuring we have sufficient capital, earnings, funding and liquidity to protect our businesses and exceed minimum regulatory requirements under a severe stress event. The risk appetite objectives are evaluated during the annual business planning process and approved by the BoD. The comparison of risk exposure with risk capacity is a key consideration in decisions on potential adjustments to the business strategy, risk profile, and the level of capital returns to shareholders.

In the annual business planning process, UBS's business strategy is reviewed, the risk profile that our operations and activities result in is assessed, and that risk profile stressed. We use both scenario-based stress tests and statistical risk measurement techniques to assess the effects of severe stress events at a firm-wide level. These complementary frameworks capture exposures to material risks across our business divisions and Group Functions.

› Refer to "Risk measurement" in this section for more information about our stress testing and statistical stress frameworks

2022 quantitative risk appetite objectives



¹ Includes interest rate risk. Refer to "Risk categories" in this section for more information.

Our risk capacity is underpinned by performance targets and capital guidance as per our business plan. When determining our risk capacity in case of a severe stress event, we estimate projected earnings under stress, factoring in lower expected income and expenses. We also consider capital impacts under stress from deferred tax assets, pension plan assets and liabilities, and accruals for capital returns to shareholders.

Risk appetite objectives define the aggregate risk exposure acceptable at the firm-wide level, given our risk capacity. The maximum acceptable risk exposure is supported by a full set of risk limits, which are cascaded to businesses and portfolios. These limits aim to ensure that our risks remain in line with risk appetite.

Risk appetite statements at the business division level are derived from the firm-wide risk appetite. They may also include division-specific strategic goals related to that division's activities and risks. Risk appetite statements are also set for certain legal entities, which must be consistent with the firm-wide risk appetite framework and approved in accordance with Group and legal entity regulations. Differences may exist that reflect the specific nature, size, complexity and regulations applicable to the relevant legal entity.

Internal risk reporting

Comprehensive and transparent reporting of risks is central to our risk governance framework's control and oversight responsibilities and required by our risk management and control principles. Accordingly, risks are reported at a frequency and level of detail commensurate with the extent and variability of the risk and the needs of the various governance bodies, regulators and risk authority holders.

The Group Risk Report provides a detailed qualitative and quantitative monthly overview of developments in financial and non-financial risks at the firm-wide level, including the status of our risk appetite objectives and the results of firm-wide stress testing. The Group Risk Report is distributed internally to the BoD and the GEB, and senior members of Risk Control, GIA, Finance and Legal. Risk reports are also produced for significant Group entities (entities subject to enhanced standards of corporate governance) and significant branches.

Granular divisional risk reports are provided to the respective business division CROs and business division Presidents. This monthly reporting is supplemented with daily or weekly reports, at various levels of granularity, covering market and credit risks for the business divisions to enable risk officers and senior management to monitor and control the Group's risk profile.

Our internal risk reporting covers financial and non-financial risks and is supported by risk data and measurement systems that are also used for external disclosure and regulatory reporting. Dedicated units within Risk Control assume responsibility for measurement, analysis and reporting of risk and for overseeing the quality and integrity of risk-related data. Our risk data and measurement systems are subject to periodic review by GIA, following a risk-based audit approach.

Model risk management

Introduction

We rely on models to inform risk management and control decisions, to measure risks or exposures, value instruments or positions, conduct stress testing, assess adequacy of capital, and manage clients' assets and our own assets. Models may also be used to measure and monitor compliance with rules and regulations, for surveillance activities, or to meet financial or regulatory reporting requirements.

Model risk is defined as the risk of adverse consequences (e.g., financial losses or reputational damage) resulting from incorrect or misused models.

Model governance framework

Our model governance framework establishes requirements for identifying, measuring, monitoring, reporting, controlling and mitigating model risk. All the models that we use are subject to governance and controls throughout their life cycles, with rigor, depth and frequency determined by the model's materiality and complexity. This is designed to ensure that risks arising from model use are identified, understood, managed, monitored, controlled and reported on both a model-specific and an aggregated level. Before they can be granted approval for use from the model sponsor, all our models are independently validated.

Once validated and approved for use, a model is subject to ongoing model monitoring and annual model confirmation, ensuring that the model is only used if it continues to be found fit for purpose. All models are subject to periodic model re-validation.

Our model risk governance framework follows our overarching risk governance framework, with the three lines of defense (LoD) assigned as follows.

- First LoD: model sponsors, model owners, model developers, and model users
- Second LoD: Chief Model Risk Officer, Model Risk Management & Control
- Third LoD: Group Internal Audit

An important difference as compared with how LoD are usually defined in financial and non-financial risk is that some models are owned by traditionally second LoD functions, such as Risk Control, Finance or Compliance.

Model risk appetite framework and statement

The model risk appetite framework sets out the model risk appetite statement, defines the relevant metrics and lays out how appropriate adherence is assessed.

Model oversight

Model oversight committees and forums ensure that model risk is overseen at different levels of the organization, appropriate model risk management and control actions are taken and, where necessary, escalated to the next level.

The Group Model Governance Committee is our most senior oversight and escalation body for all models in scope of our model governance framework. It is co-chaired by the Group CRO and the Group CFO and is responsible for: (i) reviewing and approving changes to the framework; (ii) approving the model risk appetite statement; (iii) overseeing adherence to the UBS model risk governance framework; and (iv) monitoring model risk at a firm-wide level.

Risk measurement

Audited I We apply a variety of methodologies and measurements to quantify the risks of our portfolios and potential risk concentrations. Risks that are not fully reflected within standard measures are subject to additional controls, which may include preapproval of specific transactions and the application of specific restrictions. Models to quantify risk are generally developed by dedicated units within control functions and are subject to independent validation. ▲

› Refer to “Credit risk,” “Market risk” and “Non-financial risk” in this section for more information about model confirmation procedures

Stress testing

We perform stress testing to estimate losses that could result from extreme yet plausible macroeconomic and geopolitical stress events to identify, better understand and manage our potential vulnerabilities and risk concentrations. Stress testing has a key role in our limits framework at the firm-wide, business division, legal entity and portfolio levels. Stress test results are regularly reported to the BoD and the GEB. As described in “Risk appetite framework,” stress testing, along with statistical loss measures, has a central role in our risk appetite and business planning processes.

Our stress testing framework has three pillars: (i) combined stress tests; (ii) an extensive set of portfolio- and risk-type-specific stress tests; and (iii) reverse stress testing.

Our *combined stress testing (CST)* framework is scenario-based and aims to quantify overall firm-wide losses that could result from various potential global systemic events. The framework captures all material risks, as covered in “Risk categories.” Scenarios are forward-looking and encompass macroeconomic and geopolitical stress events calibrated to different levels of severity. We implement each scenario through the expected evolution of market indicators and economic variables under that scenario and then estimate the overall loss and capital implications were the scenario to occur. At least once a year, the Risk Committee approves the most relevant scenario, known as the binding scenario, for use as the main scenario for regular CST reporting and for monitoring risk exposure against our minimum capital, earnings and leverage ratio objectives in our risk appetite framework.

We provide detailed stress loss analyses to the Swiss Financial Market Supervisory Authority (FINMA) and regulators of our legal entities in accordance with their requirements.

Our Enterprise-wide Stress Forum (the ESF) aims to ensure the consistency and adequacy of the assumptions and scenarios used for firm-wide stress measures. As part of its responsibilities, the ESF, with input from the Think Tank, a panel of senior representatives from the business divisions, Risk Control and Economic Research, seeks to ensure that the set of stress scenarios adequately reflects current and potential developments in the macroeconomic and geopolitical environment, current and planned business activities, and actual or potential risk concentrations and vulnerabilities in our portfolios.

Each scenario captures a wide range of macroeconomic variables, including GDP, equity prices, interest rates, foreign exchange rates, commodity prices, property prices and unemployment. We use assumed changes in these macroeconomic and market variables in each scenario to stress the key risk drivers of our portfolios. We also capture the business risk resulting from lower fee, interest and trading income net of lower expenses. These effects are measured for all businesses and material risk types to calculate the aggregate estimated effect of the scenario on profit or loss, other comprehensive income, risk-weighted assets, the leverage ratio denominator and, ultimately, capital and leverage ratios. The assumed changes in macroeconomic variables are updated periodically to account for changes in the current and possible future market environment.

In 2022, the binding scenario for CST was the internal *global crisis* scenario. In this scenario, weaker fiscal conditions resulting from the COVID-19 pandemic, combined with concerns around inflation, geopolitical tensions and accelerating policy actions toward a carbon-neutral economy, lead to sovereign defaults in several emerging markets. This then spills over into a Eurozone crisis, a hard landing in China and a global downturn. The macroeconomic impact is severe, as is the immediate market impact. Volatility in the bond markets spreads to other asset classes. Greece, Portugal and Cyprus lose market access and require substantial debt restructurings, while Greece leaves the Eurozone. Weak consumer and business confidence and a fall in global markets lead to a global recession. The fiscal response in many countries is limited due to the lack of fiscal headroom, while central banks resume expansionary monetary policy. China is hit severely by the slowdown in global demand and volatility in financial markets, which further weakens emerging market economies. The scenario was updated over the course of 2022 to incorporate evolving economic conditions, including rising interest rates across the globe.

As part of the CST framework, we routinely monitored three additional stress scenarios throughout 2022:

- The *global depression* scenario explores a resurgence of COVID-19 occurring in the midst of a global market downturn. A combination of political, solvency and liquidity concerns cause several large emerging markets to default, which triggers a broader sovereign crisis. Several European economies default, and some leave the Eurozone. A negative feedback loop between collapsing demand in developed and emerging markets, declining asset values and commodity prices, and disruption in the banking system leads to a deep and prolonged recession across the globe.
- The *severe Russia–Ukraine conflict* scenario was created in early 2022 in response to developments in Ukraine and explores a sharp and persistent rise in inflation due to an escalation of geopolitical tensions, leading to a significant rise in long-term interest rates and a period of market turbulence. Economic activity slows across the globe as both business and household sentiment collapse, while credit conditions deteriorate. Despite weakness in activity, inflation remains stubbornly high, forcing central banks to begin raising their policy rates and thereby prolonging the weakness in economic activity and asset prices.
- The *US monetary crisis* scenario explores a loss of confidence in the US, which leads to a sell-off of US dollar-denominated assets, sparking an abrupt and substantial depreciation of the US dollar. The US economy is hit hard, financial markets enter a period of high volatility and other industrialized countries replicate the cyclical pattern of the US. Regional inflation trends diverge as the US experiences significant inflationary pressures while other developed markets experience deflation.

We have updated the binding stress scenario in our CST framework for 2023. The new *stagflationary geopolitical crisis* scenario assumes that a geopolitical event leads to economic regionalization and fears of prolonged stagflation. Central banks signal a firm commitment to price stability and continue to tighten monetary policy, triggering a broad rise in interest rates and impacting economic activity and asset values. The *global crisis* scenario will continue to be maintained and run for monitoring purposes.

Portfolio-specific stress tests are measures tailored to the risks of specific portfolios. Our portfolio stress loss measures are derived from data on past events, but also include forward-looking elements (e.g., we derive the expected market movements in our liquidity-adjusted stress metric using a combination of historical market behavior, based on an analysis of historical events, and forward-looking analysis, including consideration of defined scenarios not modeled on any historical events). Results of portfolio-specific stress tests may be subject to limits to explicitly control risk-taking or may be monitored without limits to identify vulnerabilities.

Reverse stress testing starts from a defined stress outcome (e.g., a specified loss amount, reputational damage, a liquidity shortfall or a breach of regulatory capital ratios) and works backward to identify economic or financial scenarios that could result in such an outcome. As such, reverse stress testing is intended to complement scenario-based stress tests by assuming “what if” outcomes that could extend beyond the range normally considered, and thereby potentially challenge assumptions regarding severity and plausibility.

We also routinely analyze the effect of increases or decreases in interest rates and changes in the structure of yield curves.

Within Group Treasury, we also perform stress testing to determine the optimal asset and liability structure, enabling us to maintain an appropriately balanced liquidity and funding position under various scenarios. These scenarios differ from those outlined above, because they focus on specific situations that could generate liquidity and funding stress, as opposed to the scenarios used in the CST framework, which focus on the effect on profit or loss and capital.

- › Refer to “Credit risk” and “Market risk” in this section for more information about stress loss measures
- › Refer to the “Capital, liquidity and funding, and balance sheet” section of this report for more information about stress testing
- › Refer to “Note 19 Expected credit loss measurement” in the “Consolidated financial statements” section of this report for more information about scenarios used for expected credit loss measurement

Statistical measures

We complement the scenario-based CST measures with our statistical stress measures to calculate and aggregate risks using statistical techniques to derive stress events at chosen confidence levels.

This framework is used to derive a loss distribution, considering effects on both income and expenses, based on the simulation of historically observed financial and economic risk factors in combination with the firm's actual earnings and relevant risk exposures. From that, we determine earnings-at-risk (EaR), measuring the potential shortfall in earnings (i.e., the deviation from forecast earnings) at a 95% confidence level and evaluated over a one-year horizon. EaR is used for the assessment of the earnings objectives in our risk appetite framework.

We extend the EaR measure, incorporating the effects of gains and losses recognized through other comprehensive income, to derive a distribution of potential effects of stress events on common equity tier 1 capital. From this distribution, we derive our capital-at-risk (CaR) buffer measure at a 95% confidence level to assess our capital and leverage ratio risk appetite objectives, and derive our CaR solvency measure at a 99.9% confidence level to assess our solvency risk appetite objective.

We use the CaR solvency measure as a basis for deriving the contributions of the business divisions to risk-based capital (RBC), which is a component of our equity attribution framework. RBC measures the potential capital impairment from an extreme stress event at a 99.9% confidence level.

- › Refer to the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information about the equity attribution framework

Portfolio and position limits

UBS maintains a comprehensive set of risk limits across its major risk portfolios. These portfolio limits are set based on our risk appetite and periodically reviewed and adjusted as part of the business planning process.

Firm-wide stress and statistical metrics are complemented by more granular portfolio and position limits, triggers and targets. Combining these measures provides a comprehensive framework for control of the key risks of our business divisions, as well as significant legal entities.

We apply limits to a variety of exposures at portfolio level, using statistical and stress-based measures, such as value-at-risk, liquidity-adjusted stress, loan underwriting limits, economic value sensitivity and portfolio default simulations for loan books. These are complemented with a set of controls for net interest income sensitivity, mark-to-market losses on available-for-sale portfolios, and the effect of foreign exchange movements on capital and capital ratios.

Portfolio measures are supplemented with counterparty- and position-level controls. Risk measures for position controls are based on market risk sensitivities and counterparty-level credit risk exposures. Market risk sensitivities include sensitivities to changes in general market risk factors (e.g., equity indices, foreign exchange rates and interest rates) and sensitivities to issuer-specific factors (e.g., changes in an issuer's credit spread or default risk). We monitor numerous market and treasury risk controls on a daily basis. Counterparty measures capture the current and potential future exposure to an individual counterparty, considering collateral and legally enforceable netting agreements.

- › Refer to **"Credit risk"** in this section for more information about counterparty limits
- › Refer to **"Risk appetite framework"** in this section for more information about the risk appetite framework

Risk concentrations

Audited I Risk concentrations may exist where one or several positions within or across different risk categories could result in significant losses relative to UBS's financial strength. Identifying such risk concentrations and assessing their potential impact is a critical component of our risk management and control process.

For financial risks, we consider a number of elements, such as shared characteristics of positions, the size of the portfolio and the sensitivity of positions to changes in the underlying risk factors. Also important in our assessment is the liquidity of the markets where the positions are traded, as well as the availability and effectiveness of hedges or other potential risk-mitigating factors. This includes an assessment of, for example, the provider of the hedge and market liquidity where the hedge might be traded. Particular attention is given to identification of wrong-way risk and risk on risk. Wrong-way risk is defined as a positive correlation between the size of the exposure and the likelihood of a loss. Risk on risk is when a position and its risk mitigation can be impacted by the same event.

For non-financial risks, risk concentrations may result from, for example, a single operational risk issue that is large on its own (i.e., it has the potential to produce a single high-impact loss or a number of losses that together are high impact) or related risk issues that may link together to create a high impact.

Risk concentrations are subject to increased oversight by Group Risk Control and Group Compliance, Regulatory & Governance, and assessed to determine whether they should be reduced or mitigated, depending on the available means to do so. It is possible that material losses could occur on financial or non-financial risks, particularly if the correlations that emerge in a stressed environment differ markedly from those envisaged by risk models. ▲

- › Refer to **"Credit risk"** and **"Market risk"** in this section for more information about the composition of our portfolios
- › Refer to the **"Risk factors"** section of this report for more information

Credit risk

Audited | Main sources of credit risk

- Global Wealth Management credit risk arises from lending against securities collateral, including derivative trading activity, and lending against residential and commercial real estate collateral, as well as corporate and other lending.
- A substantial portion of lending exposure arises from Personal & Corporate Banking, which offers mortgage loans, secured mainly by owner-occupied properties and income-producing real estate, as well as corporate loans, and therefore depends on the performance of the Swiss economy and real estate market.
- The Investment Bank's credit exposure arises mainly from lending, derivatives trading and securities financing. Derivatives trading and securities financing are mainly investment grade. Loan underwriting activity can be lower rated and give rise to temporary concentrated exposure.
- Credit risk within Non-core and Legacy portfolio relates to derivative transactions and securitized positions. ▲

Credit loss expense / release

Total net credit loss expenses were USD 29m in 2022, compared with net credit loss releases of USD 148m in the prior year, reflecting net expenses of USD 29m related to stage 1 and 2 positions.

Stage 1 and 2 expected credit loss expenses of USD 29m relate to lending to corporate clients not secured by mortgages (USD 21m), mainly driven by scenario effects related to downward revision of GDP and higher interest rate assumptions, and lending secured by mortgages (USD 16m), mainly driven by scenario effects related to higher interest rate assumptions, especially in the newly introduced stagflationary geopolitical crisis scenario, and adverse house price assumptions, partly offset by releases from other lending (USD 9m).

- › Refer to "Note 1 Summary of material accounting policies," "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 19 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about IFRS 9 and expected credit losses

Credit loss expense / (release)

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|--|--------------------------------|------------------------------------|---------------------|--------------------|--------------------|--------------|
| For the year ended 31.12.22 | | | | | | |
| Stages 1 and 2 | (5) | 27 | 0 | 6 | 1 | 29 |
| Stage 3 | 5 | 12 | 0 | (18) | 2 | 0 |
| Total credit loss expense / (release) | 0 | 39 | 0 | (12) | 3 | 29 |
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | (28) | (62) | 0 | (34) | 0 | (123) |
| Stage 3 | (1) | (24) | 1 | 0 | 0 | (25) |
| Total credit loss expense / (release) | (29) | (86) | 1 | (34) | 0 | (148) |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | 48 | 129 | 0 | 88 | 0 | 266 |
| Stage 3 | 40 | 128 | 2 | 217 | 42 | 429 |
| Total credit loss expense / (release) | 88 | 257 | 2 | 305 | 42 | 694 |

Audited | Overview of measurement, monitoring and management techniques

- Credit risk from transactions with individual counterparties is based on our estimates of probability of default (PD), exposure at default (EAD) and loss given default (LGD). Limits are established for individual counterparties and groups of related counterparties covering banking and traded products, and for settlement amounts. Risk authorities are approved by the Board of Directors and are delegated to the Group CEO, the Group CRO and divisional CROs, based on risk exposure amounts, internal credit rating and potential for losses.
- Limits apply not only to the current outstanding amount but also to contingent commitments and the potential future exposure of traded products.
- The Investment Bank monitoring, measurement and limit framework distinguishes between exposures intended to be held to maturity (take-and-hold exposures) and those intended for distribution or risk transfer (temporary exposures).
- We use models to derive portfolio credit risk measures of expected loss, statistical loss and stress loss at Group-wide and business division levels, and to establish portfolio limits.

- Credit risk concentrations can arise if clients are engaged in similar activities, located in the same geographical region or have comparable economic characteristics, e.g., if their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. To avoid credit risk concentrations, we establish limits / operational controls that constrain risk concentrations at portfolio, sub-portfolio or counterparty levels for sector exposure, country risk and specific product exposures. ▲

Credit risk profile of the Group

The exposures detailed in this section are based on management's view of credit risk, which differs in certain respects from the expected credit loss (ECL) measurement requirements of International Financial Reporting Standards (IFRS).

Internally, we put credit risk exposures into two broad categories: banking products and traded products. Banking products include drawn loans, guarantees and loan commitments, amounts due from banks, balances at central banks, and other financial assets at amortized cost. Traded products include over-the-counter (OTC) derivatives, exchange-traded derivatives (ETDs) and securities financing transactions (SFTs), consisting of securities borrowing and lending, and repurchase and reverse repurchase agreements.

Banking and traded products exposure in our business divisions and Group Functions

| | 31.12.22 | | | | | |
|--|--------------------------|------------------------------|------------------|-----------------|-----------------|---------|
| USD m | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
| Banking products^{1,2} | | | | | | |
| Gross exposure | 334,621 | 236,508 | 1,454 | 76,585 | 37,986 | 687,152 |
| of which: loans and advances to customers (on-balance sheet) | 219,385 | 154,643 | (1) | 12,754 | 1,221 | 388,003 |
| of which: guarantees and loan commitments (off-balance sheet) | 13,147 | 28,610 | 0 | 12,920 | 7,486 | 62,163 |
| Traded products^{2,3} | | | | | | |
| Gross exposure | 8,328 | 320 | 0 | 34,370 | | 43,018 |
| of which: over-the-counter derivatives | 6,416 | 304 | 0 | 11,218 | | 17,938 |
| of which: securities financing transactions | 0 | 0 | 0 | 17,055 | | 17,055 |
| of which: exchange-traded derivatives | 1,912 | 15 | 0 | 6,097 | | 8,024 |
| Other credit lines, gross⁴ | 12,084 | 23,092 | 0 | 6,105 | 109 | 41,390 |
| Total credit-impaired exposure, gross (stage 3) ¹ | 757 | 1,380 | 0 | 312 | 6 | 2,455 |
| Total allowances and provisions for expected credit losses (stages 1 to 3) | 215 | 701 | 0 | 168 | 7 | 1,091 |
| of which: stage 1 | 68 | 138 | 0 | 49 | 4 | 259 |
| of which: stage 2 | 57 | 156 | 0 | 54 | 0 | 267 |
| of which: stage 3 | 90 | 406 | 0 | 64 | 3 | 564 |

| | 31.12.21 | | | | | |
|--|--------------------------|------------------------------|------------------|-----------------|-----------------|---------|
| USD m | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
| Banking products^{1,2} | | | | | | |
| Gross exposure | 337,266 | 229,334 | 1,520 | 59,352 | 65,514 | 692,985 |
| of which: loans and advances to customers (on-balance sheet) | 228,598 | 152,847 | 0 | 13,720 | 3,445 | 398,611 |
| of which: guarantees and loan commitments (off-balance sheet) | 10,772 | 29,737 | 0 | 14,994 | 4,947 | 60,450 |
| Traded products^{2,3} | | | | | | |
| Gross exposure | 9,582 | 783 | 0 | 35,950 | | 46,314 |
| of which: over-the-counter derivatives | 7,186 | 766 | 0 | 9,767 | | 17,719 |
| of which: securities financing transactions | 0 | 0 | 0 | 18,566 | | 18,566 |
| of which: exchange-traded derivatives | 2,396 | 17 | 0 | 7,617 | | 10,030 |
| Other credit lines, gross⁴ | 12,947 | 24,174 | 0 | 3,629 | 28 | 40,778 |
| Total credit-impaired exposure, gross (stage 3) ¹ | 729 | 1,617 | 0 | 264 | 0 | 2,610 |
| Total allowances and provisions for expected credit losses (stages 1 to 3) | 264 | 709 | 0 | 188 | 4 | 1,165 |
| of which: stage 1 | 89 | 126 | 0 | 64 | 4 | 282 |
| of which: stage 2 | 41 | 146 | 0 | 34 | 0 | 220 |
| of which: stage 3 | 135 | 438 | 0 | 90 | 0 | 662 |

1 ECL gross exposure including other financial assets at amortized cost, but excluding cash, receivables from securities financing transactions, cash collateral receivables on derivative instruments, financial assets at FVOCI, irrevocable committed prolongation of existing loans and unconditionally revocable committed credit lines and forward starting reverse repurchase and securities borrowing agreements. 2 Internal management view of credit risk, which differs in certain respects from IFRS. 3 As counterparty risk for traded products is managed at counterparty level, no further split between exposures in the Investment Bank and Group Functions is provided. 4 Unconditionally revocable committed credit lines.

Banking products

- Refer to "Note 1 Summary of material accounting policies" in the "Consolidated financial statements" section of this report for more information about our accounting policy for allowances and provisions for ECL
- Refer to "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 19 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about ECL measurement requirements under IFRS
- Refer to "Note 13a Other financial assets measured at amortized cost" in the "Consolidated financial statements" section of this report for more details

Global Wealth Management

Gross banking products exposure within Global Wealth Management decreased slightly to USD 335bn from USD 337bn.

Our Global Wealth Management loan portfolio is mainly secured by securities (Lombard loans) and by residential real estate. Most of our USD 154bn of Lombard loans, including traded products collateralized by securities, were of high quality, with 89% rated as investment grade based on our internal ratings and an average loan-to-value (LTV) of 49%. Moreover, Lombard loans are typically uncommitted, short term in nature and can be canceled immediately if the collateral quality deteriorates and margin calls are not met. In 2022, the Lombard book, including traded products, decreased by approximately 11%, while keeping a stable risk profile with regard to collateral concentrations with no material losses. The decrease was primarily driven by clients in Asia Pacific deleveraging on the back of ongoing market volatility. The share of non-standard Lombard loans, for example those with less liquid or concentrated collateral, slightly increased to 5% of the total Lombard book from 4%.

The mortgage book increased by approximately 8%, driven by higher volumes of mortgage loans in the US residential real estate portfolios (average LTV 48%) and by further expansion of the commercial real estate business to USD 5bn.

Other financings represent approximately 6% of the total banking products exposures and are consolidated in a corporate and other portfolio that increased by approximately 68% in 2022, mainly driven by private equity subscription facilities in the US, which are mostly investment grade rated.

Collateralization of Loans and advances to customers¹

| USD m, except where indicated | UBS | | of which: Global Wealth Management | | of which: Personal & Corporate Banking | | of which: Investment Bank | |
|---|----------------|----------------|---------------------------------------|----------------|---|----------------|------------------------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Secured by collateral | 367,159 | 377,857 | 216,993 | 225,591 | 138,851 | 138,344 | 10,724 | 11,200 |
| Residential real estate | 172,700 | 168,696 | 62,200 | 58,655 | 110,500 | 110,041 | 0 | 0 |
| Commercial / industrial real estate | 25,271 | 22,682 | 4,955 | 3,338 | 19,795 | 18,878 | 520 | 466 |
| Cash | 33,550 | 37,504 | 30,514 | 34,175 | 3,036 | 3,114 | 0 | 215 |
| Securities | 115,941 | 128,665 | 107,253 | 115,901 | 2,228 | 2,214 | 5,869 | 7,829 |
| Other collateral | 19,698 | 20,310 | 12,071 | 13,523 | 3,293 | 4,098 | 4,334 | 2,690 |
| Subject to guarantees | 2,957 | 3,954 | 144 | 616 | 2,758 | 3,338 | 55 | 0 |
| Uncollateralized and not subject to guarantees | 17,887 | 16,801 | 2,247 | 2,391 | 13,034 | 11,166 | 1,976 | 2,519 |
| Total loans and advances to customers, gross | 388,003 | 398,611 | 219,385 | 228,598 | 154,643 | 152,847 | 12,754 | 13,720 |
| Allowances | (783) | (850) | (138) | (168) | (559) | (574) | (83) | (108) |
| Total loans and advances to customers, net of allowances | 387,220 | 397,761 | 219,247 | 228,431 | 154,084 | 152,273 | 12,672 | 13,612 |
| Collateralized loans and advances to customers in % of total loans and advances to customers, gross (%) | 94.6 | 94.8 | 98.9 | 98.7 | 89.8 | 90.5 | 84.1 | 81.6 |

¹ Collateral arrangements generally incorporate a range of collateral, including cash, securities, real estate and other collateral. UBS applies a risk-based approach that generally prioritizes collateral according to its liquidity profile.

Personal & Corporate Banking

Gross banking products exposure within Personal & Corporate Banking increased to USD 237bn, compared with USD 229bn in 2021. Net banking products exposure (excluding exposure reallocated from Group Treasury) was largely unchanged at USD 186bn (CHF 172bn), of which approximately 66% was classified as investment grade, broadly unchanged from 2021. Around 48% of the exposure is categorized in the lowest LGD bucket, i.e., 0–25%, compared with 50% in 2021. Personal & Corporate Banking's gross loan portfolio was USD 155bn (CHF 143bn) compared with USD 153bn (CHF 139bn) in 2021. This portfolio is predominantly denominated in Swiss francs and the increase in Swiss franc terms was largely offset by the effect of the US dollar appreciating. As of 31 December 2022, 90% of this portfolio was secured by collateral, mainly residential and commercial property. Of the total unsecured amount, 86% related to cash flow-based lending to corporate counterparties and 3% related to lending to public authorities. Based on our internal ratings, 53% of the unsecured loan portfolio was rated as investment grade, compared with 50% in 2021.

Our Swiss corporate banking products take-and-hold portfolio, which was USD 36bn (CHF 33bn) and unchanged compared with 2021, consists of loans, guarantees and loan commitments to multi-national and domestic counterparties. The small and medium-sized entity (SME) portfolio, in particular, is well diversified across industries. However, such companies are reliant on the domestic economy and the economies to which they export, in particular the EU and the US.

Our commodity trade finance portfolio focuses on energy and base-metal trading companies, where the related commodity price risk is hedged to a large extent by the commodity trader. The majority of limits in this business are uncommitted, transactional and short-term in nature. Our portfolio size was USD 7bn (CHF 7bn) as of 31 December 2022, compared with USD 8bn (CHF 7bn) in 2021, with a considerable part of the exposure correlating with commodity prices.

Our exposure to banks consists primarily of contingent claims and was USD 5bn (CHF 5bn), compared with USD 6bn (CHF 5bn) in 2021.

Despite the Russia–Ukraine war, higher energy prices and supply chain bottlenecks, as well as the onset of monetary policy tightening, credit losses were at a low level in 2022. The delinquency ratio was 0.2% for the corporate portfolio, compared with 0.3% at the end of 2021.

› Refer to “Credit risk models” in this section for more information about loss given default, rating grades and rating agency mappings

Swiss mortgage loan portfolio

Our Swiss mortgage loan portfolio secured by residential and commercial real estate in Switzerland continues to be our largest loan portfolio. These mortgage loans, totaling USD 170bn (CHF 157bn), mainly originate from Personal & Corporate Banking, but also from Global Wealth Management Region Switzerland. Of these mortgage loans, USD 154bn (CHF 142bn) related to residential properties that the borrower was either occupying or renting out, with full recourse to the borrower. Of this USD 154bn (CHF 142bn), USD 111bn (CHF 103bn) is related to properties occupied by the borrower, with an average LTV ratio of 51%, compared with 52% as of 31 December 2021. The average LTV for newly originated loans for this portfolio was 63%, compared with 64% in 2021. The remaining USD 43bn (CHF 39bn) of the Swiss residential mortgage loan portfolio related to properties rented out by the borrower and the average LTV of that portfolio was 51%, compared with 52% as of 31 December 2021. The average LTV for newly originated Swiss residential mortgage loans for properties rented out by the borrower was 54%, compared with 55% in 2021.

As illustrated in the “Swiss mortgages: distribution of net exposure at default (EAD) across exposure segments and loan-to-value (LTV) buckets” table below, 99.9% of the aggregate amount of Swiss residential mortgage loans would continue to be covered by the real estate collateral even if the value assigned to that collateral were to decrease 20%, and more than 99% would remain covered by the real estate collateral even if the value assigned to that collateral were to decrease 30%.

Personal & Corporate Banking: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets¹

| USD m, except where indicated | 31.12.22 | | | | | Weighted average LGD (%) | 31.12.21 | |
|--|----------------|-------------|--------|--------|---------|--------------------------|----------------|--------------------------|
| | Exposure | LGD buckets | | | | | Exposure | Weighted average LGD (%) |
| Internal UBS rating ² | | 0–25% | 26–50% | 51–75% | 76–100% | | | |
| Investment grade | 123,358 | 67,254 | 44,236 | 9,162 | 2,706 | 28 | 121,520 | 27 |
| Sub-investment grade | 62,219 | 22,924 | 25,168 | 11,790 | 2,336 | 35 | 63,141 | 34 |
| of which: 6–9 | 56,774 | 21,053 | 22,976 | 10,592 | 2,153 | 35 | 57,955 | 34 |
| of which: 10–13 | 5,445 | 1,871 | 2,193 | 1,199 | 182 | 36 | 5,185 | 36 |
| Defaulted / Credit-impaired | 1,380 | 24 | 1,151 | 205 | | 42 | 1,617 | 42 |
| Total exposure before deduction of allowances and provisions | 186,957 | 90,202 | 70,555 | 21,158 | 5,042 | 30 | 186,278 | 29 |
| Less: allowances and provisions | (664) | | | | | | (674) | |
| Net banking products exposure¹ | 186,293 | | | | | | 185,604 | |

¹ Excluding balances at central banks and Group Treasury reallocations. ² The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the “Internal UBS rating scale and mapping of external ratings” table in this section.

Personal & Corporate Banking: loans uncollateralized and not subject to guarantees by industry sector

| | 31.12.22 | | 31.12.21 | |
|-------------------------|---------------|--------------|---------------|--------------|
| | USD m | % | USD m | % |
| Construction | 172 | 1.3 | 166 | 1.5 |
| Financial institutions | 3,878 | 29.8 | 2,786 | 25.0 |
| Hotels and restaurants | 135 | 1.0 | 119 | 1.1 |
| Manufacturing | 1,715 | 13.2 | 1,555 | 13.9 |
| Private households | 1,473 | 11.3 | 1,488 | 13.3 |
| Public authorities | 416 | 3.2 | 419 | 3.8 |
| Real estate and rentals | 547 | 4.2 | 574 | 5.1 |
| Retail and wholesale | 2,230 | 17.1 | 1,971 | 17.7 |
| Services | 2,242 | 17.2 | 1,908 | 17.1 |
| Other | 226 | 1.7 | 180 | 1.6 |
| Exposure, gross | 13,034 | 100.0 | 11,166 | 100.0 |

Swiss mortgages: distribution of net exposure at default (EAD) across exposure segments and loan-to-value (LTV) buckets¹

| Exposure segment | | 31.12.22 | | | | | | | 31.12.21 | |
|------------------------------------|---------------------|-------------|--------|--------|--------|--------|---------|-------|----------|-------|
| | | LTV buckets | | | | | | | Total | Total |
| | | ≤30% | 31–50% | 51–60% | 61–70% | 71–80% | 81–100% | >100% | Total | Total |
| Residential mortgages | Net EAD | 91.5 | 38.4 | 9.6 | 3.9 | 1.0 | 0.1 | 0.0 | 144.5 | 143.9 |
| | as a % of row total | 63 | 27 | 7 | 3 | 1 | 0 | 0 | 100 | |
| Income-producing real estate | Net EAD | 15.6 | 6.1 | 1.3 | 0.5 | 0.1 | 0.0 | 0.0 | 23.7 | 22.2 |
| | as a % of row total | 66 | 26 | 6 | 2 | 1 | 0 | 0 | 100 | |
| Corporates | Net EAD | 7.2 | 2.7 | 0.7 | 0.4 | 0.2 | 0.1 | 0.0 | 11.2 | 10.9 |
| | as a % of row total | 64 | 24 | 6 | 3 | 1 | 1 | 0 | 100 | |
| Other segments | Net EAD | 0.6 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.9 | 0.9 |
| | as a % of row total | 67 | 22 | 5 | 3 | 2 | 1 | 0 | 100 | |
| Mortgage-covered exposure | Net EAD | 114.8 | 47.4 | 11.6 | 4.9 | 1.2 | 0.3 | 0.1 | 180.3 | 177.9 |
| | as a % of total | 64 | 26 | 6 | 3 | 1 | 0 | 0 | 100 | |
| Mortgage-covered exposure 31.12.21 | Net EAD | 111.2 | 47.0 | 12.2 | 5.5 | 1.5 | 0.3 | 0.1 | 177.9 | |
| | as a % of total | 63 | 26 | 7 | 3 | 1 | 0 | 0 | | |

¹ The amount of each mortgage loan is allocated across the LTV buckets to indicate the portion at risk at the various value levels shown; for example, a loan of 75 with an LTV ratio of 75% (i.e., a collateral value of 100) would result in allocations of 30 in the less-than-30% LTV bucket, 20 in the 31–50% bucket, 10 in the 51–60% bucket, 10 in the 61–70% bucket and 5 in the 71–80% bucket.

Investment Bank

The Investment Bank's lending activities are largely associated with corporate and non-bank financial institutions. The business is broadly diversified across industry sectors, but concentrated in North America.

The gross banking products exposure increased to USD 77bn as of 31 December 2022, compared with USD 59bn as of 31 December 2021, mostly driven by balances at central banks allocated to the business division. Excluding balances at central banks and Group Treasury reallocations, gross banking products exposure decreased to USD 32bn from USD 35bn in 2021, mostly driven by a decrease in irrevocable loan commitments. Based on our internal ratings, 50% of this gross banking products exposure was classified as investment grade. The vast majority of the gross banking products exposure had an estimated LGD below 50%.

Total mandated temporary loan underwriting exposure ended 2022 at USD 2.6bn, compared with USD 6.6bn at the end of the prior year. USD 2.3bn of commitments had not yet been distributed as originally planned as of 31 December 2022. Loan underwriting exposures are classified as held for trading, with fair values reflecting market conditions at the end of 2022.

› Refer to "Credit risk models" in this section for more information about LGD, rating grades and rating agency mappings

Investment Bank: distribution of banking products exposure across internal UBS ratings and loss given default (LGD) buckets¹

| Internal UBS rating ² | 31.12.22 | | | | | | 31.12.21 | |
|--|---------------|--------------|---------------|--------------|--------------|--------------------------|---------------|--------------------------|
| | Exposure | LGD buckets | | | | Weighted average LGD (%) | Exposure | Weighted average LGD (%) |
| | | 0–25% | 26–50% | 51–75% | 76–100% | | | |
| Investment grade | 15,878 | 4,182 | 7,867 | 2,127 | 1,702 | 37 | 18,302 | 36 |
| Sub-investment grade | 15,522 | 4,872 | 6,324 | 4,128 | 198 | 23 | 16,250 | 20 |
| of which: 6–9 | 9,174 | 2,746 | 2,380 | 3,879 | 169 | 17 | 10,467 | 14 |
| of which: 10–13 | 6,348 | 2,127 | 3,944 | 249 | 29 | 32 | 5,783 | 31 |
| Defaulted / Credit-impaired | 312 | 273 | 27 | 9 | 3 | 21 | 264 | 33 |
| Banking products exposure¹ | 31,712 | 9,327 | 14,218 | 6,264 | 1,904 | 30 | 34,815 | 28 |

¹ Excluding balances at central banks and Group Treasury reallocations. ² The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the "Internal UBS rating scale and mapping of external ratings" table in this section.

Investment Bank: banking products exposure by geographical region¹

| | 31.12.22 | | 31.12.21 | |
|-----------------------------|---------------|--------------|---------------|--------------|
| | USD m | % | USD m | % |
| Asia Pacific | 4,766 | 15.0 | 5,154 | 14.8 |
| Latin America | 1,209 | 3.8 | 1,327 | 3.8 |
| Middle East and Africa | 183 | 0.6 | 212 | 0.6 |
| North America | 15,409 | 48.6 | 16,282 | 46.8 |
| Switzerland | 461 | 1.5 | 453 | 1.3 |
| Rest of Europe | 9,684 | 30.5 | 11,387 | 32.7 |
| Exposure¹ | 31,712 | 100.0 | 34,815 | 100.0 |

¹ Excluding balances at central banks and Group Treasury reallocations.

Investment Bank: banking products exposure by industry sector¹

| | 31.12.22 | | 31.12.21 | |
|---|---------------|--------------|---------------|--------------|
| | USD m | % | USD m | % |
| Banks | 4,409 | 13.9 | 4,908 | 14.1 |
| Chemicals | 583 | 1.8 | 645 | 1.9 |
| Electricity, gas, water supply | 363 | 1.1 | 359 | 1.0 |
| Financial institutions, excluding banks | 14,587 | 46.0 | 13,353 | 38.4 |
| Manufacturing | 1,361 | 4.3 | 1,692 | 4.9 |
| Mining | 878 | 2.8 | 1,024 | 2.9 |
| Public authorities | 259 | 0.8 | 619 | 1.8 |
| Real estate and construction | 1,685 | 5.3 | 1,581 | 4.5 |
| Retail and wholesale | 1,654 | 5.2 | 2,793 | 8.0 |
| Technology and communications | 2,324 | 7.3 | 3,736 | 10.7 |
| Transport and storage | 499 | 1.6 | 414 | 1.2 |
| Other | 3,110 | 9.8 | 3,691 | 10.6 |
| Exposure¹ | 31,712 | 100.0 | 34,815 | 100.0 |

¹ Excluding balances at central banks and Group Treasury reallocations.

Group Functions

Gross banking products exposure within Group Functions, which arises primarily in connection with treasury activities, decreased by USD 28bn to USD 38bn from balances at central banks. The decrease was mainly due to shifts within the high-quality liquid asset portfolio from cash into securities, a reduction in short-term debt, decreases in customer deposits, and outflows related to the share repurchase programs.

- › Refer to “Balance sheet assets” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information
- › Refer to the “Group Functions” section of this report for more information

Traded products

Audited I Counterparty credit risk (CCR) arising from traded products, which include OTC derivatives, ETD exposures and SFTs, originating in the Investment Bank, Non-core and Legacy Portfolio, and Group Treasury, is generally managed on a close-out basis. This takes into account possible effects of market movements on the exposure and any associated collateral over the time it would take to close out our positions. In the Investment Bank, limits are applied to the potential future exposure per counterparty, with the size of the limit dependent on the counterparty’s creditworthiness (as determined by Risk Control). Limit frameworks are also used to control overall exposure to specific classes or categories of collateral on a portfolio level. Such portfolio limits are monitored and reported to senior management.

Trading in OTC derivatives is conducted through central counterparties where practicable. Where central counterparties are not used, we have clearly defined policies and processes for trading on a bilateral basis. Trading is typically conducted under bilateral International Swaps and Derivatives Association or similar master netting agreements, which generally allow for close-out and netting of transactions in case of default, subject to applicable law. For most major market participant counterparties, we use two-way collateral agreements under which either party can be required to provide collateral in the form of cash or marketable securities when the exposure exceeds specified levels. This collateral typically consists of well-rated government debt or other collateral permitted by applicable regulations. For certain counterparties, an initial margin is taken to cover some or all of the calculated close-out exposure. This is in addition to the variation margin taken to settle changes in market value of transactions. Regulations on margining uncleared OTC derivatives continue to evolve. These generally expand the scope of bilateral derivatives activity subject to margining. They will also result in greater amounts of initial margin received from, and posted to, certain bilateral trading counterparties than had been required in the past. These changes should result in lower close-out risk over time. ▲

In the tables below, OTC derivatives exposures are generally presented as net positive replacement values after the application of legally enforceable netting agreements and the deduction of cash and marketable securities held as collateral. SFT exposures are reported taking into account collateral received, and ETD exposures take into account collateral margin calls.

- › Refer to “Note 10 Derivative instruments” in the “Consolidated financial statements” section of this report for more information about OTC derivatives settled through central counterparties
- › Refer to “Note 21 Offsetting financial assets and financial liabilities” in the “Consolidated financial statements” section of this report for more information about the effect of netting and collateral arrangements on derivative exposures

Investment Bank, Non-core and Legacy Portfolio and Group Treasury: traded products exposure

| USD m | OTC derivatives | SFTs | ETDs | Total | Total |
|---|-----------------|---------------|--------------|---------------|---------------|
| | | 31.12.22 | | | 31.12.21 |
| Total exposure, before deduction of credit valuation adjustments and hedges | 11,218 | 17,055 | 6,097 | 34,370 | 35,950 |
| Less: credit valuation adjustments and allowances | (34) | (1) | 0 | (35) | (34) |
| Less: credit protection bought (credit default swaps, notional) | (109) | | | (109) | (119) |
| Net exposure after credit valuation adjustments, allowances and hedges | 11,075 | 17,055 | 6,097 | 34,226 | 35,797 |

Investment Bank, Non-core and Legacy Portfolio and Group Treasury: distribution of net OTC derivatives and SFT exposure across internal UBS ratings and loss given default (LGD) buckets

USD m, except where indicated

| Internal UBS rating ¹ | 31.12.22 | | | | | Weighted average LGD (%) | 31.12.21 | |
|--|---------------|-------------|---------------|--------------|--------------|--------------------------|---------------|--------------------------|
| | Exposure | LGD buckets | | | | | Exposure | Weighted average LGD (%) |
| | | 0–25% | 26–50% | 51–75% | 76–100% | | | |
| Net OTC derivatives exposure | | | | | | | | |
| Investment grade | 10,757 | 310 | 8,791 | 444 | 1,212 | 48 | 9,297 | 47 |
| Sub-investment grade | 318 | 13 | 114 | 14 | 177 | 72 | 317 | 59 |
| of which: 6–9 | 285 | 9 | 89 | 13 | 174 | 76 | 249 | 62 |
| of which: 10–12 | 28 | 0 | 25 | 0 | 2 | 41 | 46 | 64 |
| of which: 13 and defaulted | 5 | 3 | 0 | 2 | 0 | 23 | 22 | 14 |
| Total net OTC derivatives exposure, after credit valuation adjustments and hedges | 11,075 | 322 | 8,905 | 458 | 1,389 | 49 | 9,615 | 48 |
| Net SFT exposure | | | | | | | | |
| Investment grade | 16,682 | 279 | 14,414 | 999 | 990 | 40 | 17,937 | 40 |
| Sub-investment grade | 373 | 0 | 151 | 45 | 177 | 71 | 629 | 69 |
| Total net SFT exposure | 17,055 | 279 | 14,565 | 1,044 | 1,166 | 41 | 18,566 | 41 |

¹ The ratings of the major credit rating agencies, and their mapping to our internal rating scale, are shown in the "Internal UBS rating scale and mapping of external ratings" table in this section.

Investment Bank, Non-core and Legacy Portfolio and Group Treasury: net OTC derivatives and SFT exposure by geographical region

| | Net OTC derivatives exposure | | | | Net SFT exposure | | | |
|------------------------|------------------------------|--------------|--------------|--------------|------------------|--------------|---------------|--------------|
| | 31.12.22 | | 31.12.21 | | 31.12.22 | | 31.12.21 | |
| | USD m | % | USD m | % | USD m | % | USD m | % |
| Asia Pacific | 1,249 | 11.3 | 1,586 | 16.5 | 4,906 | 28.8 | 5,380 | 29.0 |
| Latin America | 117 | 1.1 | 111 | 1.2 | 34 | 0.2 | 20 | 0.1 |
| Middle East and Africa | 615 | 5.6 | 112 | 1.2 | 483 | 2.8 | 360 | 1.9 |
| North America | 2,200 | 19.9 | 1,830 | 19.0 | 3,177 | 18.6 | 4,473 | 24.1 |
| Switzerland | 1,055 | 9.5 | 688 | 7.2 | 466 | 2.7 | 559 | 3.0 |
| Rest of Europe | 5,839 | 52.7 | 5,288 | 55.0 | 7,988 | 46.8 | 7,774 | 41.9 |
| Exposure | 11,075 | 100.0 | 9,615 | 100.0 | 17,055 | 100.0 | 18,566 | 100.0 |

Investment Bank, Non-core and Legacy Portfolio and Group Treasury: net OTC derivatives and SFT exposure by industry sector

| | Net OTC derivatives exposure | | | | Net SFT exposure | | | |
|---|------------------------------|--------------|--------------|--------------|------------------|--------------|---------------|--------------|
| | 31.12.22 | | 31.12.21 | | 31.12.22 | | 31.12.21 | |
| | USD m | % | USD m | % | USD m | % | USD m | % |
| Banks | 1,288 | 11.6 | 986 | 10.3 | 869 | 5.1 | 1,654 | 8.9 |
| Chemicals | 71 | 0.6 | 14 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| Electricity, gas, water supply | 118 | 1.1 | 103 | 1.1 | 0 | 0.0 | 0 | 0.0 |
| Financial institutions, excluding banks | 8,614 | 77.8 | 7,174 | 74.6 | 14,865 | 87.2 | 15,866 | 85.5 |
| Manufacturing | 97 | 0.9 | 50 | 0.5 | 0 | 0.0 | 0 | 0.0 |
| Mining | 20 | 0.2 | 51 | 0.5 | 0 | 0.0 | 0 | 0.0 |
| Public authorities | 655 | 5.9 | 810 | 8.4 | 1,320 | 7.7 | 926 | 5.0 |
| Retail and wholesale | 29 | 0.3 | 22 | 0.2 | 0 | 0.0 | 0 | 0.0 |
| Transport, storage and communication | 115 | 1.0 | 255 | 2.6 | 0 | 0.0 | 0 | 0.0 |
| Other | 69 | 0.6 | 150 | 1.6 | 0 | 0.0 | 120 | 0.6 |
| Exposure | 11,075 | 100.0 | 9,615 | 100.0 | 17,055 | 100.0 | 18,566 | 100.0 |

Credit risk mitigation

Audited I We actively manage credit risk in our portfolios by taking collateral against exposures and by utilizing credit hedging. ▲

Lending secured by real estate

Audited I We use a scoring model as part of a standardized front-to-back process for credit decisions on originating or modifying Swiss mortgage loans. The model's two key factors are the LTV ratio and an affordability calculation. ▲

The calculation of affordability takes into account interest payments, minimum amortization requirements and potential property maintenance costs in relation to gross income or rental income for rental properties. Interest payments are estimated using a predefined framework, which considers the potential for significant interest rate increases over the lifetime of the loan. The interest rate is set at 5% per annum in the context of the current environment.

For residential properties occupied by the borrower, the maximum LTV for the standard approval process is 80% and 60% for holiday homes and luxury real estate. For other properties, the maximum LTV allowed within the standard approval process ranges from 30% to 80%, depending on the type and age of the property, and the amount of renovation work needed.

Audited | The value we assign to each property is based on the lowest value determined from model-derived valuations, the purchase price, an asset value for income-producing real estate (IPRE), and, in some cases, an additional external valuation. ▲

Two separate models provided by a market-leading external vendor are used to derive property valuations for owner-occupied residential properties (ORPs) and IPRE. We estimate the current value of an ORP using a regression model (a hedonic model) based on statistical comparison against current transaction data. We derive the value of a property from the characteristics of the real estate itself, as well as those of its location. In addition to the initial valuation, values for ORPs are updated quarterly over the lifetime of the loan using region-specific real estate price indices. The price indices are sourced from an external vendor and subject to internal validation and benchmarking. We use these valuations quarterly to compute indexed LTV for all ORPs. A portfolio-specific monitoring system considers these along with other risk measures (e.g., rating and behavioral information) to identify higher-risk loans and triggers an assessment and reappraisal by client advisors and credit officers as needed.

For IPRE, the capitalization rate model is used to determine the property valuation by discounting estimated sustainable future income using a capitalization rate based on various attributes. These attributes consider regional and specific property characteristics, such as market and location data (e.g., vacancy rates), benchmarks (e.g., for running costs), and certain other standardized input parameters (e.g., property condition). Updated information regarding rental income from IPRE is requested from the client at least once every three years. Our portfolio-specific monitoring system alerts us to changes in rental income and other risk measures (e.g., LTV, rating, behavioral information), and triggers an assessment and reappraisal by client advisors and credit officers as needed.

To take market developments into account for these models, the external vendor regularly updates the parameters and / or refines the architecture for each model. Model changes and parameter updates are subject to the same validation procedures as our internally developed models.

Audited | We similarly apply underwriting guidelines for our Global Wealth Management Region Americas mortgage loan portfolio, taking into account loan affordability and collateral sufficiency. LTV standards are defined for the various mortgage types, such as residential mortgages or investment properties, based on associated risk factors, such as property type, loan size, and purpose. The maximum LTV allowed within the standard approval process ranges from 45% to 80%. In addition to LTV, other credit risk metrics, such as debt-to-income ratios, credit scores and required client reserves, are also part of our underwriting guidelines.

A risk limit framework is applied to the Global Wealth Management Region Americas mortgage loan portfolio. Limits are set to govern exposures within LTV categories, geographic concentrations, portfolio growth and high-risk mortgage segments, such as interest-only loans. These limits are monitored by a specialized credit risk monitoring team and reported to senior management. Supplementing this limit framework is a real estate lending policy and procedures framework, set up to govern real estate lending activities. Quality assurance and quality control programs monitor compliance with mortgage underwriting and documentation requirements.

For our mortgage loan portfolio in the Global Wealth Management regions of EMEA and Asia Pacific, we apply global underwriting guidelines with regional variations to allow for regulatory and market differentials. As in other regions, the underwriting guidelines take into account affordability and collateral sufficiency. Affordability is assessed at a stressed interest rate using, for residential real estate, the borrowers' sustainable income and declared liabilities, and for commercial real estate the quality and sustainability of rental income. For interest-only loans, a declared and evidenced repayment strategy must be in place. The applicable LTV for each mortgage is based on the quality and liquidity of the property and assessed against valuations from bank-appointed third-party valuers. Maximum LTV varies from 30% to 70%, depending on the type and location of the property, as well as other factors. Collateral sufficiency is often further supported by personal guarantees from related third parties. The overall portfolio is centrally assessed against a number of stress scenarios to ensure that exposures remain within predefined stress limits. ▲

› Refer to "Swiss mortgage loan portfolio" in this section for more information about LTV in our Swiss mortgage portfolio

Lombard lending

Audited | Lombard loans are secured by pledges of marketable securities, guarantees and other forms of collateral. Eligible financial securities are primarily liquid and actively traded transferable securities (such as bonds and equities), and other transferable securities, such as approved structured products for which regular prices are available and the issuer of the security provides a market. To a lesser degree, less liquid collateral is also used.

We derive lending values by applying discounts (haircuts) to the pledged collateral's market value. Haircuts for marketable securities are calculated to cover a possible change in value over a given close-out period and confidence level. Less liquid or more volatile collateral will typically have larger haircuts.

We assess concentration and correlation risks across collateral posted at a counterparty level, and at a divisional level across counterparties. We also perform targeted Group-wide reviews of concentration. Concentration of collateral in single securities, issuers or issuer groups, industry sectors, countries, regions or currencies may result in higher risk and reduced liquidity. In such cases, the lending value of the collateral, margin call and close-out levels are adjusted accordingly. ▲

Exposures and collateral values are monitored daily, with the aim of ensuring that the credit exposure is always within the established risk tolerance. A shortfall occurs when the lending value drops below the exposure; if it exceeds a defined trigger level, a margin call is initiated, requiring the client to provide additional collateral, reduce the exposure or take other action to bring exposure in line with the agreed lending value of the collateral. If a shortfall is not corrected within the required period, a close-out is initiated, through which collateral is liquidated, open derivative positions are closed and guarantees are called.

We conduct stress testing of collateralized exposures to simulate market events that reduce collateral value, increase exposure of traded products, or do both. For certain classes of counterparties, limits on such calculated stress exposures are applied and controlled at a counterparty level. Also, portfolio limits are applied across certain businesses or collateral types.

› Refer to “Stress loss” in this section for more information about our stress testing

Credit hedging

Audited I We use single-name credit default swaps (CDSs), credit-index CDSs, bespoke protection and other instruments to actively manage credit risk in the Investment Bank and Non-core and Legacy Portfolio. The aim is to reduce concentrations of risk from specific counterparties, sectors or portfolios and, for CCR, the profit or loss effect arising from changes in credit valuation adjustments (CVAs).

We have strict guidelines with regard to taking credit hedges into account for credit risk mitigation purposes. For example, when monitoring exposures against counterparty limits, we do not usually apply certain credit risk mitigants, such as proxy hedges (credit protection on a correlated but different name) or credit-index CDSs, to reduce counterparty exposures. Buying credit protection also creates credit exposure with regard to the protection provider. We monitor and limit exposures to credit protection providers, and also monitor the effectiveness of credit hedges as part of our overall credit exposures to the relevant counterparties. Trading with such counterparties is typically collateralized. For credit protection purchased to hedge the lending portfolio, this includes monitoring mismatches between the maturity of credit protection purchased and the maturity of the associated loan. Such mismatches result in basis risk and may reduce the effectiveness of the credit protection. Mismatches are routinely reported to credit officers and mitigating actions are taken when necessary. ▲

› Refer to “Note 10 Derivative instruments” in the “Consolidated financial statements” section of this report for more information

Mitigation of settlement risk

To mitigate settlement risk, we reduce actual settlement volumes by using multi-lateral and bi-lateral agreements with counterparties, including payment netting.

Foreign exchange transactions are our most significant source of settlement risk. We are a member of Continuous Linked Settlement (CLS), an industry utility that provides a multi-lateral framework to settle transactions on a delivery-versus-payment basis, thus reducing foreign-exchange-related settlement risk relative to the volume of business. However, mitigation of settlement risk through CLS and other means does not fully eliminate credit risk in foreign exchange transactions resulting from changes in exchange rates prior to settlement, which is managed as part of our overall credit risk management of OTC derivatives.

Credit risk models

Basel III – A-IRB credit risk models

Audited I We have developed tools and models to estimate future credit losses that may be implicit in our current portfolio.

Exposures to individual counterparties are measured using three generally accepted parameters: PD, EAD and LGD. For a given credit facility, the product of these three parameters results in the expected loss (the EL). These parameters are the basis for the majority of our internal measures of credit risk, and key inputs for regulatory capital calculation under the advanced internal ratings-based (A-IRB) approach of the Basel III framework. We also use models to derive the portfolio credit risk measures of EL, statistical loss and stress loss. ▲

› Refer to the 31 December 2022 Pillar 3 Report, available under “Pillar 3 disclosures” at ubs.com/investors, for more information about the regulatory capital calculation under the advanced internal ratings-based approach

Key features of our main credit risk models

| | Portfolio in scope | Asset class | Model approach | Number of main models | Main drivers | Number of years of loss data ¹ |
|-------------------------------|---|---|-------------------------------|---|--|---|
| Probability of default | Sovereigns and central banks | Central governments and central banks | Scorecard | 1 | Political, institutional and economic indicators | >10 |
| | Owner-occupied mortgages in Switzerland and the US | Retail: residential mortgages | Scorecard | 2 | Behavioral data, affordability relative to income, property type, loan-to-value. Separate models for mortgages in Switzerland and the US | 28 |
| | Income-producing real estate mortgages | Retail: residential mortgages, Corporates: specialized lending | Scorecard | 1 | Loan-to-value, debt service coverage, financial data (for large corporates only), behavioral data. Weights of risk drivers differ between corporate and private clients | 28 |
| | Lombard lending | Retail: other retail, Corporates: other lending | Merton type | 2 | Separate models for structured margin lending and standard Lombard. Key risk drivers for both models: loan-to-value, historical asset returns, behavioral data | 13–16 |
| | Small and medium-sized enterprises | Corporates: other lending | Scorecard | 1 | Financial data including balance sheet ratios and profit and loss, behavioral data. Weights of risk drivers differ depending on the corporate client sub-segment | 28 |
| | Credit cards in Switzerland | Retail: qualifying revolving retail and other retail, Corporates: other lending | Scorecard | 1 | Client type and characteristics (revolver, transactor, new client, dormant client), and behavioral data | 17 |
| | Banks | Banks and securities dealers | Scorecard | 4 | Financial data including balance sheet ratios and profit and loss. Separate models for banks – developed markets, banks – emerging markets, broker-dealers and investment banks, and private banks | 15 |
| | Commodity traders | Corporates: specialized lending | Scorecard | 1 | Financial data including balance sheet ratios and profit and loss, as well as non-financial criteria | 24 |
| | Aircraft financing | Corporates: other lending | Scorecard | 1 | Loan-to-value, AuM, strength of legal framework of source of wealth, and behavioral factors | 16 |
| | Large corporates | Corporates: other lending | Scorecard / market data | 3 | Financial data including balance sheet ratios and profit and loss, and market data. Separate rating tools for corporates with publicly traded and highly liquid stocks (market intelligence tool), private corporates, and leveraged corporates | 15 |
| Other portfolios | Corporates: other lending, Public-sector entities and multi-lateral development banks | Scorecard / pooled rating approach / rating template | 10 | Financial data and/or historical portfolio performance for pooled ratings. Separate models for hedge funds, managed funds, private equity funds, insurance companies, commercial real estate loans, debt REITs, mortgage originators, public-sector entities and multi-lateral development banks / supranationals | 15 | |
| Loss given default | Owner-occupied mortgages in Switzerland and the US | Retail: residential mortgages | Statistical model | 2 | Loan-to-value, time since last valuation. Separate models for mortgages in Switzerland and the US | 11–14 |
| | Income-producing real estate mortgages | Retail: residential mortgages, Corporates: specialized lending | Statistical model | 1 | Loan-to-value, time since last valuation, property type, location indicator | 11 |
| | Lombard lending | Retail: other retail, Corporates: other lending | Statistical model, simulation | 2 | Separate models for structured margin lending and standard Lombard. Key risk drivers for both models: historical observed loss rates, liquidity | 13–14 |
| | Small and medium-sized enterprises | Corporates: other lending | Statistical model | 2 | Separate models for mortgage and non-mortgage LGDs. Mortgage models: loan-to-value, time since last valuation, property type, location indicator. Non-mortgage models: historical observed loss rates | 11–17 |
| | Credit cards in Switzerland | Retail: qualifying revolving retail and other retail, Corporates: other lending | Statistical model | 1 | Collateral, accrued interests, client characteristics. | 17 |
| | Investment Bank – all counterparties | Across the asset classes | Statistical model | 2 | Counterparty and facility specific, including industry segment, collateral, seniority, legal environment and bankruptcy procedures. Specific model for sovereign LGDs based on econometric modeling of past default events using GDP per capita, government debt, and other quantitative and qualitative factors such as the share of multi-lateral debt service, the size of the banking sector and institutional quality | >10 |
| | Banking products | Across the asset classes | Statistical model | 3 | Separate models based on exposure type (committed credit lines, revocable credit lines, contingent products) | >10 |
| Traded products | Across the asset classes | Statistical model | 2 | Product-specific market drivers, e.g., interest rates. Separate models for OTC derivatives, ETDs and SFTs that generate the simulation of risk factors used for the credit exposure measure | n/a | |

¹ For sovereign and Investment Bank PD models, the length of internal portfolio history is shown in "Number of years of loss data."

Internal UBS rating scale and mapping of external ratings

| Internal UBS rating | 1-year PD range in % | Description | Moody's Investors Service mapping | S&P mapping | Fitch mapping |
|----------------------------|----------------------|----------------------|--------------------------------------|-------------|---------------|
| 0 and 1 | 0.00–0.02 | Investment grade | Aaa | AAA | AAA |
| 2 | 0.02–0.05 | | Aa1 to Aa3 | AA+ to AA– | AA+ to AA– |
| 3 | 0.05–0.12 | | A1 to A3 | A+ to A– | A+ to A– |
| 4 | 0.12–0.25 | | Baa1 to Baa2 | BBB+ to BBB | BBB+ to BBB |
| 5 | 0.25–0.50 | | Baa3 | BBB– | BBB– |
| 6 | 0.50–0.80 | Sub-investment grade | Ba1 | BB+ | BB+ |
| 7 | 0.80–1.30 | | Ba2 | BB | BB |
| 8 | 1.30–2.10 | | Ba3 | BB– | BB– |
| 9 | 2.10–3.50 | | B1 | B+ | B+ |
| 10 | 3.50–6.00 | | B2 | B | B |
| 11 | 6.00–10.00 | | B3 | B– | B– |
| 12 | 10.00–17.00 | | Caa1 to Caa2 | CCC+ to CCC | CCC+ to CCC |
| 13 | >17 | | Caa3 to C | CCC- to C | CCC- to C |
| Counterparty is in default | Default | Defaulted | | D | D |

Probability of default

PD estimates the likelihood of a counterparty defaulting on its contractual obligations over the next 12 months, and is assessed using rating tools tailored to the various categories of counterparties. The “Key features of our main credit risk models” table above gives an overview of the approaches used for our main asset classes and presents the main drivers of the PD. The rating tools for these asset classes are also calibrated to our internal credit rating scale (masterscale), designed to ensure a consistent assessment of default probabilities across counterparties.

The ratings of major credit rating agencies, and their mapping to our masterscale and internal PD bands, are shown in the “Internal UBS rating scale and mapping of external ratings” table above. For Moody’s and S&P, the mapping is based on the long-term average of one-year default rates available from these rating agencies, with Fitch ratings being mapped to the equivalent S&P ratings. For each external rating category, the average default rate is compared with our internal PD bands to derive a periodically reviewed mapping to our internal rating scale.

Exposure at default

EAD is the amount we expect to be owed by a counterparty at the time of possible default. We derive EAD from current exposure to the counterparty and possible future exposure development.

The EAD of an on-balance sheet loan is its notional amount, while for off-balance sheet commitments that are not drawn, credit conversion factors (CCFs) are used in order to obtain an expected on-balance sheet amount.

For traded products, we derive EAD by modeling the range of possible exposure outcomes at various points in time using scenario and statistical techniques. We assess the net amount that may be owed to us or that we may owe to others, taking into account the effect of market movements over the potential time it would take to close out positions.

We assess exposures where there is a material correlation between the factors driving the credit quality of the counterparty and those driving the potential future value of our traded products exposure (wrong-way risk), and we have established specific controls to mitigate such risks.

Loss given default

LGD is the magnitude of the likely loss if there is a default. Our LGD estimates, which consider downturn conditions, include loss of principal, interest and other amounts less recovered amounts. We determine LGD based on the likely recovery rate of claims against defaulted counterparties, which depends on the type of counterparty and any credit mitigation due to collateral or guarantees. Our estimates are supported by internal loss data and external information, where available. If we hold collateral, such as marketable securities or a mortgage on a property, LTV ratios are typically a key parameter in determining LGD. For risk-weighted asset (RWA) calculation, floors are applied to LGD in line with regulation.

Expected loss

We use the concept of expected loss to quantify future credit losses that may be implicit in our current portfolio. The expected loss for a given credit facility is a product of the three components described above, i.e., PD, EAD and LGD. We aggregate the expected loss for individual counterparties to derive expected portfolio credit losses.

IFRS 9 – ECL credit risk models

Expected credit loss

Expected credit loss (ECL) is defined as the difference between contractual cash flows and those UBS expects to receive, discounted at the effective interest rate (EIR). For loan commitments and other credit facilities in scope of ECL requirements, expected cash shortfalls are determined by considering expected future drawdowns. Rather than focusing on an average through-the-cycle (TTC) expected annual loss, the purpose of ECL is to estimate the amount of losses inherent in a portfolio based on current conditions and future outlook (a point-in-time (PIT) measure), whereby such a forecast has to include all information available without undue cost and effort, and address multiple scenarios where there is perceived non-linearity between changes in economic conditions and their effect on credit losses. From a credit risk modeling perspective, ECL parameters are generally derivations of the factors assessed for regulatory Basel III EL.

Comparison of Basel III EL and IFRS 9 ECL credit risk models

The IFRS 9 ECL concept has a number of key differences from our Basel III credit risk models, both in the loss estimation process and the result thereof. Most notably, regulatory Basel III EL parameters are TTC / downturn estimates, which might include a margin of conservatism, while IFRS 9 ECL parameters are typically PIT, reflecting current economic conditions and future outlook. The table below summarizes the main differences. Stage 1 and 2 ECL expenses in 2022 were USD 29m and respective allowances and provisions as of 31 December 2022 were USD 526m. This included ECL allowances and provisions of USD 485m related to positions under the Basel III advanced internal ratings-based (A-IRB) approach. Basel III EL for non-defaulted positions increased by USD 37m to USD 956m.

- › Refer to “**Note 1 Summary of material accounting policies**” in the “**Consolidated financial statements**” section of this report for more information about our accounting policy for allowances and provisions for ECL including key definitions relevant for the ECL calculation under IFRS 9

The table below shows the main differences between the two expected loss measures.

| | Basel III EL (advanced internal ratings-based approach) | IFRS 9 ECL |
|---|--|---|
| Scope | The Basel III A-IRB approach applies to most credit risk exposures. It includes transactions measured at amortized cost, at fair value through profit or loss and at fair value through OCI, including loan commitments and financial guarantees. | The IFRS 9 ECL calculation mainly applies to financial assets measured at amortized cost and debt instruments measured at fair value through OCI, as well as loan commitments and financial guarantees not at fair value through profit or loss. |
| 12-month versus lifetime expected loss | The Basel III A-IRB approach takes into account expected losses resulting from expected default events occurring within the next 12 months. | In the absence of a significant increase in credit risk (SICR), a maximum 12-month ECL is recognized to reflect lifetime cash shortfalls that will result if a default event occurs in the 12 months after the reporting date (or a shorter period if the expected lifetime is less). Once an SICR event has occurred, a lifetime ECL is recognized considering expected default events over the life of the transaction. |
| Exposure at default (EAD) | EAD is the amount we expect a counterparty to owe us at the time of a possible default. For banking products, EAD equals book value as of the reporting date; for traded products, the vast majority of EAD is modeled. EAD is expected to remain constant over a 12-month period. For loan commitments, a credit conversion factor is applied to model expected future drawdowns over the 12-month period, irrespective of the actual maturity of a particular transaction. The credit conversion factor includes downturn adjustments. | EAD is generally calculated on the basis of the cash flows that are expected to be outstanding at the individual points in time during the life of the transaction, discounted to the reporting date using the effective interest rate. For loan commitments, a credit conversion factor is applied to model expected future drawdowns over the life of the transaction without including downturn assumptions. In both cases, the time period is capped at 12 months, unless an SICR has occurred. |
| Probability of default (PD) | PD estimates are determined on a through-the-cycle (TTC) basis. They represent historical average PDs, taking into account observed losses over a prolonged historical period, and therefore are less sensitive to movements in the underlying economy. | PD estimates will be determined on a point-in-time (PIT) basis, based on current conditions and incorporating forecasts for future economic conditions at the reporting date. |
| Loss given default (LGD) | LGD includes prudential adjustments, such as downturn LGD assumptions and floors. Similar to PD, LGD is determined on a TTC basis. | LGD should reflect the losses that are reasonably expected and prudential adjustments should therefore not be applied. Similar to PD, LGD is determined on the basis of a PIT approach. |
| Use of scenarios | n / a | Multiple forward-looking scenarios have to be taken into account to determine a probability-weighted ECL. |

Further key aspects of credit risk models

Stress loss

We complement our statistical modeling approach with scenario-based stress loss measures. Stress tests are run regularly to monitor potential effects of extreme, but nevertheless plausible, events on our portfolios, under which key credit risk parameters are assumed to deteriorate substantially. Where we consider it appropriate, we apply limits on this basis.

Stress scenarios and methodologies are tailored to portfolios’ natures, ranging from regionally focused to global systemic events, and varying in time horizon.

- › Refer to “**Stress testing**” in this section for more information about our stress testing framework

Credit risk model confirmation

Our approach to model confirmation involves both quantitative methods, such as monitoring compositional changes in portfolios and results of backtesting, and qualitative assessments, such as feedback from users on model output as a practical indicator of a model's performance and reliability.

Material changes in portfolio composition may invalidate the conceptual soundness of a model. We therefore perform regular analyses of the evolution of portfolios to identify such changes in the structure and credit quality of portfolios. This includes analyses of changes in key attributes, changes in portfolio concentration measures and changes in RWA.

› Refer to "Model risk management" in this section for more information

Backtesting

We monitor the performance of models by backtesting and benchmarking them, with model outcomes compared with actual results, based on our internal experience and externally observed results. To assess the predictive power of credit exposure models for traded products, such as OTC derivatives and ETD products, we statistically compare predicted future exposure distributions at different forecast horizons with realized values.

For PD, we derive a predicted distribution of the number of defaults. The observed number of defaults is compared with the upper tail of the predicted distribution. If the observed number of defaults is higher than a given upper tail quantile, we conclude there is evidence that the model may underpredict the number of defaults. Based on historical long-run average default rates and, if required, additional margin of conservatism, we also derive PD calibration targets and a lower boundary. As a general rule, if the portfolio average PD lies below the derived lower boundary, the rating tool is recalibrated.

For LGD, backtesting statistically tests whether the mean difference between the observed and predicted LGD is zero. If the test fails, there is evidence that our predicted LGD is too low. In such cases, and where these differences are outside expectations, models are recalibrated.

Main credit risk models backtesting by regulatory asset class

| | Length of time series used for the calibration (in years) | Actual rates in % | | | Estimated average rates at the start of 2022 in % |
|---|---|--------------------------------------|-----------------------------------|-----------------------------------|---|
| | | Average of last 5 years ¹ | Min. of last 5 years ² | Max. of last 5 years ² | |
| Probability of default³ | | | | | |
| Central governments and central banks | >10 ⁴ | 0.00 | 0.00 | 0.00 | 0.43 |
| Banks and securities dealers | >10 | 0.03 | 0.00 | 0.13 | 0.65 |
| Public-sector entities, multi-lateral development banks | >10 | 0.05 | 0.00 | 0.21 | 0.23 |
| Corporates: specialized lending | >10 | 0.30 | 0.11 | 0.60 | 1.26 |
| Corporates: other lending ⁵ | >10 | 0.28 | 0.20 | 0.34 | 0.44 |
| Retail: residential mortgages | >20 | 0.20 | 0.14 | 0.25 | 0.49 |
| Retail: qualifying revolving retail exposure ⁵ | >10 | 0.71 | 0.63 | 0.79 | 0.83 |
| Retail: other retail ⁵ | >10 | 0.09 | 0.05 | 0.19 | 0.20 |
| Loss given default | | | | | |
| Central governments and central banks | >10 | | | | 47.72 |
| Banks and securities dealers | >10 | | | | 53.38 |
| Public-sector entities, multi-lateral development banks | >10 | | | | 27.40 |
| Corporates: specialized lending | >10 | 2.16 | 0.00 | 9.51 | 22.80 |
| Corporates: other lending ⁵ | >10 | 15.92 | 5.09 | 24.68 | 38.24 |
| Retail: residential mortgages | >20 | 0.45 | 0.00 | 0.72 | 22.75 |
| Retail: qualifying revolving retail exposure ⁵ | >10 | 24.88 | 20.27 | 27.42 | 47.87 |
| Retail: other retail ⁵ | >10 | 8.20 | 4.80 | 13.54 | 24.37 |
| Credit conversion factors | | | | | |
| Corporates | >10 | 21.65 | 6.93 | 38.08 | 38.10 |

¹ Average of all observations over the last five years. ² Minimum / maximum annual average of observations in any single year from the last five years. Yearly averages are only calculated where five or more observations occurred during that year. ³ Average PD estimation is based on all rated clients in the portfolio. ⁴ Sovereign PD model is calibrated to UBS masterscale, length of time series shows span of internal history for this portfolio. ⁵ During 2021, a new PD and LGD model for credit cards went live. Obligors subject to this model contribute to Corporates: other lending, Retail: qualifying revolving retail exposure, and Retail: other retail.

CCFs, used for the calculation of EAD for undrawn facilities with corporate counterparties, are dependent on several credit facility contractual dimensions. We compare the predicted amount drawn with observed historical use of such facilities by defaulted counterparties. If any statistically significant deviation is observed, the relevant CCFs are redefined.

The "Main credit risk models backtesting by regulatory asset class" table above compares the current model calibration for PD, LGD and CCFs with historical observed values over the last five years.

Changes to models and model parameters during the period

As part of our continuous efforts to enhance models to reflect market developments and newly available data, we updated several models in 2022.

In Personal & Corporate Banking and Global Wealth Management, we updated the PD model for owner-occupied residential properties in Switzerland and the LGD model for mortgages in Switzerland. In Global Wealth Management, we also recalibrated the PD model for aircraft financing and implemented some model updates for the standard Lombard model.

In the Investment Bank, a new PD model for private equity counterparties was introduced, and a redeveloped PD model for hedge funds went live. Additionally, we have implemented a new model for structured margin lending.

For CCR models, we recalibrated the market parameters in the SFT model, enhancing and automating the process, which is run on a daily basis. The transition from LIBOR required a number of model changes for CCR models, for traded products to be able to consume the new alternative reference rate curves.

Where required, changes to models and model parameters were approved by FINMA before being made.

- › Refer to **“Risk-weighted assets” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the effect of the changes to models and model parameters on credit risk RWA**

Future credit risk-related regulatory capital developments

In December 2017, the Basel Committee on Banking Supervision (the BCBS) announced the finalization of the Basel III framework. In December 2022, the Swiss State Secretariat for International Finance changed the expected date on which the final Basel III guidelines are to enter into force, from 1 July 2024 to 1 January 2025. The updated framework makes a number of revisions to the internal ratings-based (IRB) approaches, namely: (i) removing the option of using the A-IRB approach for certain asset classes (including large and medium-sized corporate clients, and banks and other financial institutions); (ii) placing floors on certain model inputs under the IRB approach, e.g., PD and LGD; and (iii) introducing various requirements to reduce RWA variability (e.g., for LGD).

The published framework has a number of requirements that are subject to national discretion. Also, revisions to the credit valuation adjustment (CVA) framework were published, including the removal of the advanced CVA approach. UBS has a close dialogue with FINMA to discuss in detail the implementation objectives and prepare for a smooth transition of the capital regime for credit risk.

- › Refer to **“Capital management objectives, planning and activities” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the development of RWA**
- › Refer to **“Risk measurement” in this section for more information about our approach to model confirmation procedures**
- › Refer to the **“Regulatory and legal developments” and “Risk factors” sections of this report for more information**

Credit policies for distressed assets

Non-performing

Audited | In line with the regulatory definition, we report a claim as non-performing when: (i) it is more than 90 days past due; (ii) it is subject to restructuring proceedings, where preferential conditions concerning interest rates, subordination, tenor, etc. have been granted in order to avoid default of the counterparty (forbearance); (iii) the counterparty is subject to bankruptcy / enforced liquidation proceedings in any form, even if there is sufficient collateral to cover the due payment; or (iv) there is other evidence that payment obligations will not be fully met without recourse to collateral.

Default and credit-impaired

UBS uses a single definition of default for classifying assets and determining the PD of its obligors for risk modeling purposes. The definition of default is based on quantitative and qualitative criteria. A counterparty is classified as defaulted when material payments of interest, principal or fees are overdue for more than 90 days, or more than 180 days for certain exposures in relation to loans to private and commercial clients in Personal & Corporate Banking and to private clients of Global Wealth Management Region Switzerland. UBS does not consider the general 90-day presumption for default recognition appropriate for those portfolios, given the cure rates, which show that strict application of the 90-day criterion would not accurately reflect the inherent credit risk. Counterparties are also classified as defaulted when: bankruptcy, insolvency proceedings or enforced liquidation have commenced; obligations have been restructured on preferential terms (forbearance); or there is other evidence that payment obligations will not be fully met without recourse to collateral. The latter may be the case even if, to date, all contractual payments have been made when due. If one claim against a counterparty is defaulted on, generally all claims against the counterparty are treated as defaulted.

An instrument is classified as credit-impaired if the counterparty is classified as defaulted and / or the instrument is identified as purchased or originated credit-impaired (POCI). An instrument is POCI if it has been purchased at a deep discount to its carrying amount following a risk event of the issuer or originated with a defaulted counterparty. Once a financial asset is classified as defaulted / credit-impaired (except POCI), it is reported as a stage 3 instrument and remains as such unless all past due amounts have been rectified, additional payments have been made on time, the position is not classified as credit-restructured, and there is general evidence of credit recovery. A three-month probation period is applied before a transfer back to stages 1 or 2 can be triggered. However, most instruments remain in stage 3 for a longer period. As of 31 December 2022, we had no instruments classified as POCI on our books. ▲

Forbearance (credit restructuring)

Audited | If payment default is imminent or default has already occurred, we may grant concessions to borrowers in financial difficulties that we would otherwise not consider in the normal course of business, such as offering preferential interest rates, extending maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc. When a forbearance measure takes place, each case is considered individually and the exposure is generally classified as defaulted. Forbearance classification remains until the loan is repaid or written off, non-preferential conditions are granted that supersede the preferential conditions, or the counterparty has recovered and the preferential conditions no longer exceed our risk tolerance.

Contractual adjustments when there is no evidence of imminent payment default, or where changes to terms and conditions are within our usual risk tolerance, are not considered to be forbore. ▲

Loss history statistics

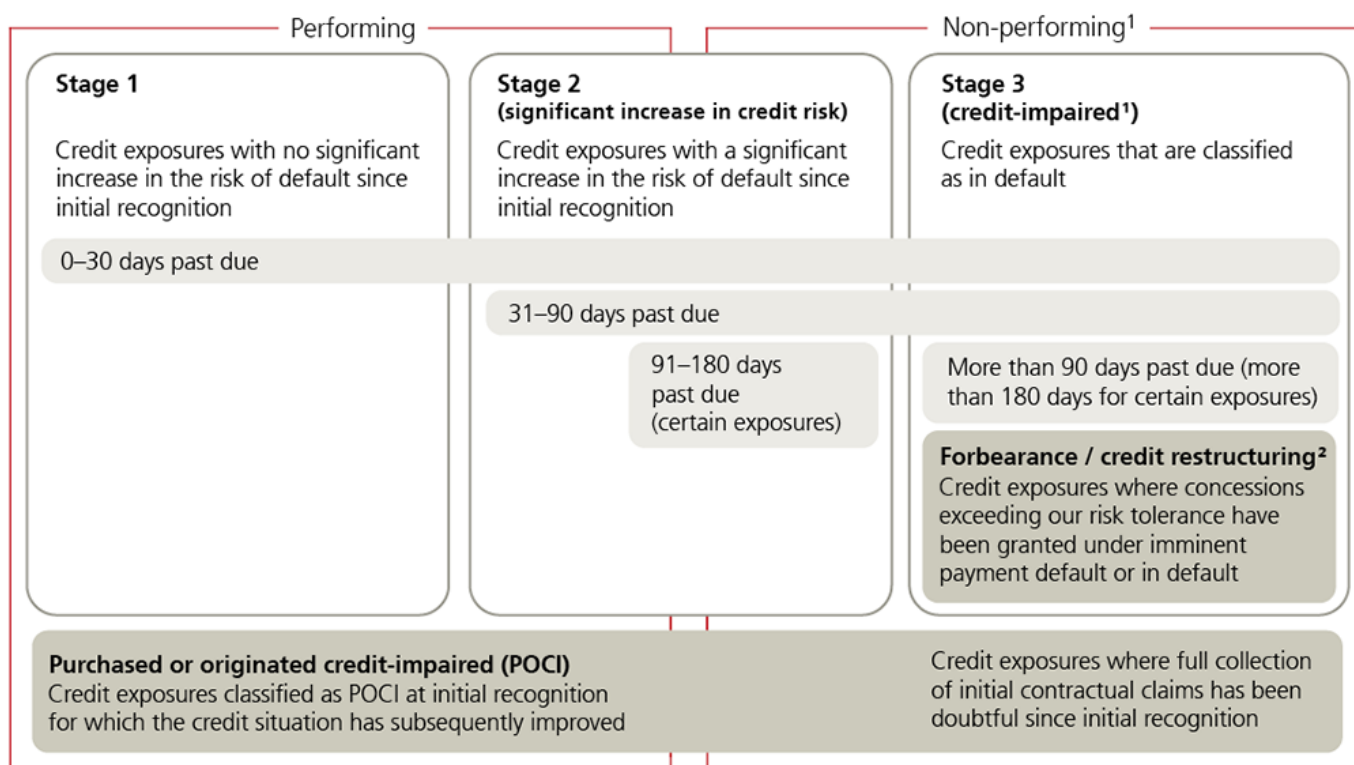
An instrument is classified as credit-impaired if the counterparty has defaulted. This also includes credit-impaired exposures for which no loss has occurred or for which no allowance has been recognized (e.g., we expect to fully recover the exposures via collateral held).

Coverage ratios are calculated for the core loan portfolio by taking ECL allowances and provisions divided by the gross carrying amount of the exposures. Core loan exposure is defined as the sum of Loans and advances to customers and Loans to financial advisors.

The total combined on- and off-balance sheet coverage ratio was at 21 basis points as of 31 December 2022, 1 basis point lower than on 31 December 2021. The combined stage 1 and 2 ratio of 10 basis points was unchanged compared with 31 December 2021; the stage 3 ratio was 22%, 2 percentage points lower than as of 31 December 2021.

- › **The majority of the credit-impaired exposure relates to loans and advances in our Swiss domestic business. Refer to "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 19 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about ECL measurement and the calculation of the coverage ratio**
- › Refer to "Note 13a Other financial assets measured at amortized cost" in the "Consolidated financial statements" section of this report for more details

Exposure categorization



¹ Excluding purchased or originated credit-impaired instruments. ² May include purchased or originated credit-impaired instruments.

Loss history statistics

| <i>USD m, except where indicated</i> | 31.12.22 | 31.12.21 | 31.12.20 | 31.12.19 | 31.12.18 |
|---|-----------------|----------|----------|----------|----------|
| Banking products, core exposure on- and off-balance sheet, gross ¹ | 491,556 | 499,839 | 479,176 | 408,331 | 410,117 |
| <i>of which: loans and advances to banks and customers (gross)</i> | 402,801 | 414,099 | 396,049 | 340,003 | 338,000 |
| Credit-impaired exposure, gross (stage 3) | 2,455 | 2,610 | 3,778 | 3,113 | 3,154 |
| <i>of which: credit-impaired loans and advances to banks and customers (stage 3)</i> | 2,012 | 2,150 | 2,945 | 2,309 | 2,300 |
| Non-performing loans and advances to banks and customers | 2,333 | 2,387 | 3,176 | 2,466 | 2,419 |
| ECL allowances and provisions for credit losses ² | 1,091 | 1,165 | 1,468 | 1,029 | 1,054 |
| <i>of which: core loan exposure (all stages)</i> | 1,043 | 1,132 | 1,426 | 987 | 1,003 |
| <i>of which: loans and advances to banks and customers (all stages)</i> | 789 | 857 | 1,076 | 770 | 780 |
| <i>of which: loans and advances to banks and customers (stage 3)</i> | 474 | 572 | 703 | 559 | 549 |
| Write-offs (stage 3) | 95 | 137 | 356 | 142 | 210 |
| <i>of which: write-offs for loans and advances to banks and customers</i> | 74 | 118 | 348 | 122 | 192 |
| Credit loss expense / (release) ³ | 29 | (148) | 694 | 78 | 118 |
| Ratios | | | | | |
| Credit-impaired loans and advances to banks and customers as a percentage of loans and advances to banks and customers (gross) | 0.5 | 0.5 | 0.7 | 0.7 | 0.7 |
| Non-performing loans and advances to banks and customers as a percentage of loans and advances to banks and customers (gross) | 0.6 | 0.6 | 0.8 | 0.7 | 0.7 |
| ECL allowances for loans and advances to banks and customers as a percentage of loans and advances to banks and customers (gross) | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 |
| Write-offs as a percentage of average loans and advances to banks and customers (gross) outstanding during the period | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |

¹ Core loan exposure is defined as the sum of Loans and advances to customers and Loans to financial advisors. ² Includes provisions for ECL of guarantees and loan commitments and allowances for securities financing transactions. ³ Includes credit loss expense / (release) for other financial assets at amortized cost, guarantees, loan commitments, and securities financing transactions.

Market risk

Audited | Main sources of market risk

Market risks arise from both trading and non-trading business activities.

- Trading market risks are mainly connected with primary debt and equity underwriting and securities and derivatives trading for market-making and client facilitation in our Investment Bank, as well as the remaining positions in Non-core and Legacy Portfolio in Group Functions 3 and our municipal securities trading business in Global Wealth Management.
- Non-trading market risks arise predominantly in the form of interest rate and foreign exchange risks connected with personal banking and lending in our wealth management business, our Swiss personal and corporate banking business, the Investment Bank's lending business, and treasury activities.
- Group Treasury assumes market risks in the process of managing interest rate risk, structural foreign exchange risk and the Group's liquidity and funding profile, including high-quality liquid assets (HQLA).
- Equity and debt investments can also give rise to market risks, as can some aspects of employee benefits, such as defined benefit pension schemes. ▲

Audited | Overview of measurement, monitoring and management techniques

- Market risk limits are set for the Group, the business divisions, Group Treasury and Non-core and Legacy Portfolio at granular levels in the various business lines, reflecting the nature and magnitude of the market risks.
- Management value-at-risk (VaR) measures exposures under the market risk framework, including trading market risks and some non-trading market risks. Non-trading market risks not included in VaR are also covered in the risks controlled by Market & Treasury Risk Control, as set out below.
- Our primary portfolio measures of market risk are liquidity-adjusted stress (LAS) loss and VaR. Both are common to all business divisions and subject to limits that are approved by the Board of Directors (the BoD).
- These measures are complemented by concentration and granular limits for general and specific market risk factors. Our trading businesses are subject to multiple market risk limits, which take into account the extent of market liquidity and volatility, available operational capacity, valuation uncertainty, and, for our single-name exposures, issuer credit quality.
- Trading market risks are managed on an integrated basis at portfolio level. As risk factor sensitivities change due to new transactions, transaction expiries or changes in market levels, risk factors are dynamically rehedged to remain within limits. We do not generally seek to distinguish in the trading portfolio between specific positions and associated hedges.

- Issuer risk is controlled by limits applied at business division level based on jump-to-zero measures, which estimate maximum default exposure (the default event loss assuming zero recovery).
- Non-trading foreign exchange risks are managed under market risk limits, with the exception of Group Treasury management of consolidated capital activity.

Our Market & Treasury Risk Control function applies a holistic risk framework, setting the appetite for treasury-related risk-taking activities across the Group. Key elements of the framework include an overarching economic value sensitivity limit, set by the BoD, and the sensitivity of net interest income to changes in interest rates targets, set by the Group CEO. Limits are also set by the BoD to balance the effect of foreign exchange movements on our CET1 capital and CET1 capital ratio. Non-trading interest rate and foreign exchange risks are included in Group-wide statistical and stress testing metrics, which flow into our risk appetite framework.

Equity and debt investments are subject to a range of risk controls, including preapproval of new investments by business management and Risk Control and regular monitoring and reporting. They are also included in Group-wide statistical and stress testing metrics. ▲

- › Refer to “Currency management” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about Group Treasury’s management of foreign exchange risks
- › Refer to the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the sensitivity of our CET1 capital and CET1 capital ratio to currency movements

Market risk stress loss

The measurement and management of market risks include an extensive set of stress tests and scenario analyses, continuously evaluated to ensure that losses resulting from an extreme yet plausible event do not exceed our risk appetite.

Liquidity-adjusted stress

LAS is our primary stress loss measure for Group-wide market risk. The LAS framework captures the economic losses that could arise under specified stress scenarios. This is partially done by replacing the standard 1-day and 10-day holding period assumptions used for management and regulatory VaR with liquidity-adjusted holding periods, as explained below. Shocks are applied to positions based on expected market movements in the liquidity-adjusted holding periods resulting from the specified scenario.

The holding periods used for LAS are calibrated to reflect the time needed to reduce or hedge the risk of positions in each major risk factor in a stressed environment, assuming maximum utilization of the relevant position limits. We apply minimum holding periods, regardless of observed liquidity levels, as identification of and reaction to a crisis may not always be immediate.

The expected market movements are derived using historical market behavior (based on analysis of historical events) and forward-looking analysis including consideration of defined scenarios that have not occurred in the past.

LAS-based limits apply at several levels: Group, business division, Group Treasury, and Non-core and Legacy Portfolio; business area; and sub-portfolio. LAS is also the core market risk component of our combined stress test framework and therefore integral to our overall risk appetite framework.

- › Refer to “Risk appetite framework” in this section for more information
- › Refer to “Stress testing” in this section for more information about our stress testing framework

Value-at-risk

VaR definition

Audited | VaR is a statistical measure of market risk, representing the potential market risk losses over a set time horizon (holding period) at an established level of confidence. VaR assumes no change in the Group’s trading positions over the set time horizon.

We calculate VaR daily. The profit or loss distribution VaR is derived from our internally developed VaR model, which simulates returns over the holding period for those risk factors our trading positions are sensitive to, and subsequently quantifies the profit / loss effect of these risk factor returns on trading positions. Risk factor returns associated with general interest rate, foreign exchange and commodities risk factor classes are based on a pure historical simulation approach, using a five-year look-back window. Risk factor returns for selected issuer-based risk factors (e.g., equity prices and credit spreads) are split into systematic and residual issuer-specific components using a factor model approach. Systematic returns are based on historical simulation, and residual returns on a Monte Carlo simulation. VaR model profit or loss distribution is derived from the sum of systematic and residual returns in such a way that we consistently capture systematic and residual risk. Correlations among risk factors are implicitly captured via a historical simulation approach. When modeling risk factor returns, we consider the stationarity properties of the historical time series of risk factor changes. Depending on the stationarity properties of the risk factors within a given factor class, we model the factor returns using absolute returns or logarithmic returns. Risk factor return distributions are updated fortnightly.

Our VaR model does not have full revaluation capability, but we source full revaluation grids and sensitivities from front-office systems, enabling us to capture material non-linear profit-or-loss effects.

We use a single VaR model for both internal management purposes and determining market risk risk-weighted assets (RWA), although we consider different confidence levels and time horizons. For internal management purposes, we establish risk limits and measure exposures using VaR at a 95% confidence level with a 1-day holding period, aligned to the way we consider the risks associated with our trading activities. The regulatory measure of market risk used to underpin the market risk capital requirement under Basel III requires a measure equivalent to a 99% confidence level using a 10-day holding period. To calculate a 10-day holding period VaR, we use 10-day risk factor returns, with all observations equally weighted.

Additionally, the portfolio populations for management and regulatory VaR are slightly different. The one for regulatory VaR meets regulatory requirements for inclusion in regulatory VaR. Management VaR includes a broader range of positions. For example, regulatory VaR excludes credit spread risks from the securitization portfolio, which are treated instead under the securitization approach for regulatory purposes.

We also use stressed VaR (SVaR) for the calculation of market risk RWA. SVaR uses broadly the same methodology as regulatory VaR and is calculated using the same population, holding period (10-day) and confidence level (99%). Unlike regulatory VaR, the historical data set for SVaR is not limited to five years, instead covering the period from 1 January 2007 to the present. In deriving SVaR, we seek the largest 10-day holding period VaR for the current Group portfolio across all one-year look-back windows from 1 January 2007 to the present. SVaR is computed weekly. ▲

► Refer to the 31 December 2022 Pillar 3 Report, available under “Pillar 3 disclosures” at ubs.com/investors, for more information about the regulatory capital calculation under the advanced internal ratings-based approach

Management VaR for the period

We continued to maintain management VaR at low levels, with average VaR at USD 11m, unchanged compared with 2021.

Audited I

Management value-at-risk (1-day, 95% confidence, 5 years of historical data) of our business divisions and Group Functions by general market risk type¹

| USD m | For the year ended 31.12.22 | | | | | Equity | Interest rates | Credit spreads | Foreign exchange | Commodities |
|---------------------------------------|-----------------------------|-----------|-----------|----------|--|--------|----------------|----------------|------------------|-------------|
| | Min. | Max. | Average | 31.12.22 | Average (per business division and risk type) | | | | | |
| | | | | | 2 | 8 | 4 | 2 | 2 | |
| | | | | | 17 | 18 | 9 | 11 | 7 | |
| | | | | | 6 | 10 | 5 | 3 | 3 | |
| | | | | | 6 | 10 | 4 | 3 | 3 | |
| Total management VaR, Group | 6 | 18 | 11 | 9 | <i>Average (per business division and risk type)</i> | | | | | |
| Global Wealth Management | 1 | 2 | 1 | 1 | 0 | 1 | 1 | 0 | 0 | |
| Personal & Corporate Banking | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Asset Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Investment Bank | 6 | 17 | 10 | 8 | 6 | 9 | 5 | 3 | 3 | |
| Group Functions | 3 | 5 | 4 | 5 | 1 | 4 | 3 | 1 | 0 | |
| Diversification effect ^{2,3} | | | (5) | (5) | (1) | (3) | (4) | (1) | 0 | |

| USD m | For the year ended 31.12.21 | | | | | Equity | Interest rates | Credit spreads | Foreign exchange | Commodities |
|---------------------------------------|-----------------------------|-----------|-----------|-----------|--|--------|----------------|----------------|------------------|-------------|
| | Min. | Max. | Average | 31.12.21 | Average (per business division and risk type) | | | | | |
| | | | | | 1 | 7 | 5 | 1 | 2 | |
| | | | | | 35 | 13 | 11 | 9 | 5 | |
| | | | | | 7 | 9 | 7 | 3 | 3 | |
| | | | | | 8 | 11 | 7 | 6 | 3 | |
| Total management VaR, Group | 4 | 36 | 11 | 12 | <i>Average (per business division and risk type)</i> | | | | | |
| Global Wealth Management | 1 | 3 | 1 | 2 | 0 | 1 | 2 | 0 | 0 | |
| Personal & Corporate Banking | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Asset Management | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Investment Bank | 3 | 36 | 11 | 11 | 7 | 9 | 7 | 3 | 3 | |
| Group Functions | 4 | 8 | 5 | 4 | 0 | 4 | 4 | 1 | 0 | |
| Diversification effect ^{2,3} | | | (6) | (5) | 0 | (5) | (5) | (1) | 0 | |

¹ Statistics at individual levels may not be summed to deduce the corresponding aggregate figures. The minima and maxima for each level may well occur on different days, and likewise, the VaR for each business line or risk type, being driven by the extreme loss tail of the corresponding distribution of simulated profits and losses for that business line or risk type, may well be driven by different days in the historical time series, rendering invalid the simple summation of figures to arrive at the aggregate total. ² Difference between the sum of the standalone VaR for the business divisions and Group Functions and the VaR for the Group as a whole. ³ As the minima and maxima for different business divisions and Group Functions occur on different days, it is not meaningful to calculate a portfolio diversification effect.

VaR limitations

Audited | Actual realized market risk losses may differ from those implied by VaR for a variety of reasons.

- VaR is calibrated to a specified level of confidence and may not indicate potential losses beyond this confidence level.
- The 1-day time horizon used for VaR for internal management purposes (10-day for regulatory VaR) may not fully capture market risk of positions that cannot be closed out or hedged within the specified period.
- In some cases, VaR calculations approximate the effect of changes in risk factors on the values of positions and portfolios. This may happen due to the number of risk factors included in the VaR model needing to be limited.
- Effects of extreme market movements are subject to estimation errors, which may result from non-linear risk sensitivities, and the potential for actual volatility and correlation levels to differ from assumptions implicit in VaR calculations.
- Using a five-year window means sudden increases in market volatility will tend not to increase VaR as quickly as the use of shorter historical observation periods, but such increases will affect VaR for a longer period of time. Similarly, after periods of increased volatility, as markets stabilize, VaR predictions will remain more conservative for a period of time influenced by the length of the historical observation period.

SVaR is subject to the limitations noted for VaR above, but the use of one-year data sets avoids the smoothing effect of the five-year data set used for VaR and the absence of the five-year window gives a longer history of potential loss events. Therefore, although the significant period of stress during the 2007–2009 financial crisis is no longer contained in the historical five-year period used for management and regulatory VaR, SVaR continues to use that data. This approach aims to reduce the procyclicality of the regulatory capital requirements for market risks.

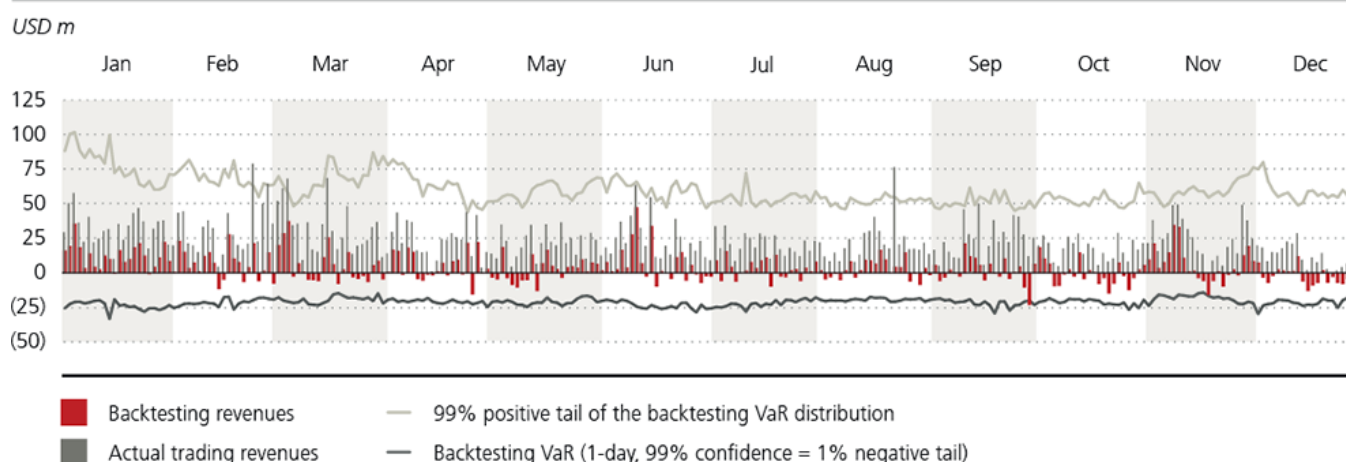
We recognize that no single measure can encompass all risks associated with a position or portfolio. We use a set of metrics with both overlapping and complementary characteristics to create a holistic framework that aims to ensure material completeness of risk identification and measurement. As a statistical aggregate risk measure, VaR supplements our liquidity-adjusted stress and comprehensive stress testing frameworks.

We also have a framework to identify and quantify potential risks not fully captured by our VaR model and refer to such risks as risks not in VaR. The framework underpins these potential risks with regulatory capital, calculated as a multiple of regulatory VaR and stressed VaR. ▲

Backtesting of VaR

VaR backtesting is a performance measurement process in which a 1-day VaR prediction is compared with the realized 1-day profit or loss (P&L). We compute backtesting VaR using a 99% confidence level and 1-day holding period for the regulatory VaR population. Since 99% VaR at UBS is defined as a risk measure that operates on the lower tail of the P&L distribution, 99% backtesting VaR is a negative number. Backtesting revenues exclude non-trading revenues, such as valuation reserves, fees and commissions, and revenues from intraday trading, so as to provide for a like-for-like comparison. A backtesting exception occurs when backtesting revenues are lower than the previous day's backtesting VaR.

Group: development of regulatory backtesting revenues¹ and actual trading revenues² against backtesting VaR³ (1-day, 99% confidence)



¹ Excludes non-trading revenues, such as valuation reserves, commissions and fees, and revenues from intraday trading. ² Includes backtesting revenues and revenues from intraday trading. ³ Based on Basel III regulatory VaR, excludes CVA positions and their eligible hedges, which are subject to the standalone CVA charge.

Statistically, given the 99% confidence level, two or three backtesting exceptions a year can be expected. More than four exceptions could indicate that the VaR model is not performing appropriately, as could too few exceptions over a long period. However, as noted for VaR limitations above, a sudden increase (or decrease) in market volatility relative to the five-year window could lead to a higher (or lower) number of exceptions. Therefore, Group-level backtesting exceptions are investigated, as are exceptional positive backtesting revenues, with the results reported to senior business management, the Group CRO and the Group Chief Market & Treasury Risk Officer. Internal and external auditors and relevant regulators are also informed about backtesting exceptions.

In the “Group: development of regulatory backtesting revenues and actual trading revenues against backtesting VaR” chart above, the asymmetry between the negative and positive tails is due to the long gamma risk profile historically run in the Investment Bank. The actual trading revenues include backtesting and intraday revenues.

The number of negative backtesting exceptions within a 250-business-day window decreased to one from four by the end of 2022. The Swiss Financial Market Supervisory Authority (FINMA) VaR multiplier derived from backtesting exceptions for market risk RWA was unchanged compared with the prior year, at 3.0.

VaR model confirmation

As well as for regulatory-purposes backtesting described above, we conduct extended backtesting for internal model confirmation purposes. This includes observing model performance across the entire P&L distribution (not just the tails), and at multiple levels within the business division hierarchies.

- › Refer to “Risk measurement” in this section for more information about our approach to model confirmation procedures

VaR model developments in 2022

Audited I In the fourth quarter of 2022, we made an upgrade to our credit spread factor model, in which we significantly increased the coverage of single-name-issuer bond spread curves. The resulting RWA decrease was offset by an RWA increase arising from the introduction of a FINMA-agreed temporary measure. ▲

Future market risk-related regulatory capital developments

In January 2019, the Basel Committee on Banking Supervision (the BCBS) published the final standards on the minimum capital requirements for market risk (the Fundamental Review of the Trading Book). In December 2022, the Swiss State Secretariat for International Finance changed the expected date on which the final Basel III guidelines are to enter into force, from 1 July 2024 to 1 January 2025. As a result, the Swiss implementation timeline would be aligned to the currently expected implementation timeline in the EU.

Key elements of the revised market risk framework include: (i) changes to the internal model-based approach, including changes to the model approval and performance measurement process; (ii) changes to the standardized approach with the aim of it being a credible fallback method for an internal model-based approach; and (iii) a revised boundary between trading book and banking book. UBS maintains a close dialogue with FINMA to discuss the implementation objectives in more detail and to provide a smooth transition of the capital regime for market risk.

In September 2021, FINMA mandated that UBS hold an RWA add-on for the omission of time decay in regulatory VaR and SVaR. The add-on reflects the outcome of discussions with FINMA regarding our regulatory VaR model, which started in late 2019. The integration of time decay into the regulatory VaR model, which would replace the add-on, is subject to further discussions between FINMA and UBS. The integration of time decay into regulatory VaR is expected to become effective in 2023. The FINMA-agreed temporary measure related to the credit spread factor model and the add-on related to time decay are expected to be removed with the integration of time decay into regulatory VaR.

- › Refer to “Risk-weighted assets” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the development of RWA including the regulatory add-on
- › Refer to “Risk measurement” in this section for more information about our approach to model confirmation procedures
- › Refer to the “Regulatory and legal developments” and “Risk factors” sections of this report for more information

Interest rate risk in the banking book

Sources of interest rate risk in the banking book

Audited I Interest rate risk in the banking book (IRRBB) arises from balance sheet positions such as Loans and advances to banks, Loans and advances to customers, Financial assets at fair value not held for trading, Financial assets measured at amortized cost, Customer deposits, Debt issued measured at amortized cost, and derivatives, including those subject to hedge accounting. Fair value changes to these positions may affect other comprehensive income (OCI) or the income statement, depending on their accounting treatment.

Our largest banking book interest rate exposures arise from customer deposits and lending products in Global Wealth Management and Personal & Corporate Banking, as well as from debt issuance, liquidity buffers and interest rate hedges in Group Treasury. The inherent interest rate risks stemming from Global Wealth Management and Personal & Corporate Banking are generally transferred to Group Treasury, to manage them centrally together with our modeled interest rate duration assigned to equity, goodwill and real estate. This makes the netting of interest rate risks across different sources possible, while leaving the originating businesses with commercial margin and volume management. The residual interest rate risk is mainly hedged with interest rate swaps, to the vast majority of which we apply hedge accounting. Short-term exposures and most of our HQLA classified as Financial assets at fair value not held for trading are hedged with derivatives accounted for on a mark-to-market basis. Long-term fixed-rate debt issued and HQLA hedged with external interest rate swaps are designated in fair value hedge accounting relationships.

Risk management and governance

IRRBB is measured using several metrics, the most relevant of which are the following.

- Economic value of equity (EVE) sensitivity to yield curve moves is calculated as changes in the present value of future cash flows irrespective of accounting treatment. They are also the key risk factors for statistical and stress-based measures, e.g., value-at-risk and stress scenarios, as well as the regulatory interest rate scenarios. These are measured and reported daily. The regulatory IRRBB EVE exposure is the most adverse regulatory interest rate scenario that is netted across currencies. It excludes the sensitivity from additional tier 1 (AT1) capital instruments (as per specific FINMA requirements) and the modeled interest rate duration assigned to equity, goodwill and real estate. UBS also applies granular internal interest rate shock scenarios to its banking book positions to monitor its specific risk profile.
- Net interest income (NII) sensitivities to yield curve moves are calculated as changes of baseline NII over a set time horizon, which we internally compute by assuming interest rates in all currencies develop according to their market-implied forward rates and assuming constant business volumes and no specific management actions. The sensitivities are measured and reported monthly. Our Pillar 3 disclosure (as per specific FINMA requirements) excludes the contribution from cash held at central banks.

We actively manage IRRBB, with the aim of reducing the volatility of NII subject to limits and triggers for EVE and NII exposure at consolidated and significant legal entity levels.

The Group Asset and Liability Committee (ALCO) and, where relevant, ALCOs at a legal entity level perform independent oversight over the management of IRRBB, which is also subject to Group Internal Audit and model governance.

- › Refer to “Group Internal Audit” in the “Corporate governance” section of this report and to “Risk measurement” in this section for more information

Key modeling assumptions

The cash flows from customer deposits and lending products used in calculation of EVE sensitivity exclude commercial margins and other spread components, are aggregated by daily time buckets and are discounted using risk-free rates. Our external issuances are discounted using UBS's senior debt curve, and capital instruments are modeled to the first call date. NII sensitivity, which includes commercial margins, is calculated over a one-year time horizon, assuming constant balance sheet structure and volumes, and considers embedded interest rate options.

The average repricing maturity of non-maturing deposits and loans is determined via target replication portfolios designed to protect product margins. Optimal replicating portfolios are determined at granular currency- and product-specific levels by simulating and applying a real-world market rate model to historically calibrated client rate and volume models.

We use an econometric prepayment model to forecast prepayment rates on US mortgage loans in UBS Bank USA and agency mortgage-backed securities (MBSs) held in various liquidity portfolios of UBS Americas Holding LLC consolidated. These prepayment rates are used to forecast both mortgage loan and MBS balances under various macroeconomic scenarios. The prepayment model is used for a variety of purposes, including risk management and regulatory stress testing. Swiss mortgages and fixed-term deposits generally do not carry similar optionality, due to prepayment and early redemption penalties. ▲

Effect of interest rate changes on shareholders' equity and CET1 capital

The “Accounting and capital effect of changes in interest rates” table below shows the effects on shareholders' equity and CET1 capital of gains and losses from changes in interest rates in the main banking book positions. We use derivatives to hedge interest rate risks in the banking book and these reflect changes in interest rates as an immediate fair value gain or loss, recognized either in the income statement or through OCI. Where hedged items are accrual accounted, we aim to minimize accounting asymmetries by applying hedge accounting to reflect the economic hedge relationship.

In a rising rate scenario, we would have an initial decrease in shareholders' equity as a result of fair value losses on our derivatives recognized in OCI. This would be compensated over time by increased NII for higher interest rates. The effect on CET1 capital would be much lower as gains and losses on interest rate swaps designated as cash flow hedges are not recognized for regulatory capital purposes.

Accounting and capital effect of changes in interest rates¹

| | Recognition | | Shareholders' equity | | CET1 capital | |
|--|-------------|------------------------|----------------------|--------|--------------|--------|
| | Timing | Income statement / OCI | Gains | Losses | Gains | Losses |
| Loans and deposits at amortized cost ^{2,3} | Gradual | Income statement | ● | ● | ● | ● |
| Other financial assets and liabilities measured at amortized cost ² | Gradual | Income statement | ● | ● | ● | ● |
| Debt issued measured at amortized cost ^{2,3} | Gradual | Income statement | ● | ● | ● | ● |
| Receivables and payables from securities financing transactions ² | Gradual | Income statement | ● | ● | ● | ● |
| Financial assets at fair value not held for trading | Immediate | Income statement | ● | ● | ● | ● |
| Financial assets at fair value through other comprehensive income | Immediate | OCI | ● | ● | | ● |
| Derivatives designated as cash flow hedges | Immediate | OCI ⁴ | ● | ● | | |
| Derivatives designated as fair value hedges ⁵ | Immediate | Income statement | ● | ● | ● | ● |
| Derivatives transacted as economic hedges | Immediate | Income statement | ● | ● | ● | ● |

¹ Refer to the "Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital" table in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the differences between shareholders' equity and CET1 capital. ² For fixed-rate financial instruments, changes in interest rates affect the income statement when these instruments roll over and reprice. ³ For hedge accounted items, a fair value adjustment is applied in line with the treatment of the hedging derivatives. ⁴ Excluding hedge ineffectiveness that is recognized in the income statement in accordance with IFRS. ⁵ The fair value of the derivatives is offset by the fair value adjustment of the hedged items. Under the fair value hedge program applied to cross-currency swaps and foreign currency debt, the foreign currency basis spread is excluded from the hedge designation and accounted for through OCI, which is included in CET1.

Economic value of equity sensitivity

Audited I The EVE sensitivity in the banking book to a +1-basis-point parallel shift in yield curves was negative USD 25.0m as of 31 December 2022, compared with negative USD 29.9m as of 31 December 2021, the change predominantly driven by rising market rates. This excludes the sensitivity of USD 3.4m from additional tier 1 (AT1) capital instruments (as per specific FINMA requirements) in contrast to general Basel Committee on Banking Supervision (BCBS) guidance.

The majority of our interest rate risk in the banking book is a reflection of the net asset duration that we run to offset our modeled sensitivity of net USD 19.6m (31 December 2021: USD 22.1m) assigned to our equity, goodwill and real estate, with the aim of generating a stable NII contribution. Of this, USD 14.0m and USD 4.8m are attributable to the US dollar and the Swiss franc portfolios, respectively (31 December 2021: USD 15.6m and USD 5.5m, respectively).

In addition to the sensitivity mentioned above, we calculate the six interest rate shock scenarios prescribed by FINMA. The "Parallel up" scenario, assuming all positions were fair valued, was the most severe and would have resulted in a change in EVE of negative USD 4.6bn, or 7.9%, of our tier 1 capital (31 December 2021: negative USD 6.0bn, or 10.0%), which is well below the 15% threshold as per the BCBS supervisory outlier test for high levels of interest rate risk in the banking book.

The immediate effect on our tier 1 capital in the "Parallel up" scenario as of 31 December 2022 would have been only a decrease of USD 0.4bn, or 0.6% (31 December 2021: USD 1.1bn, or 1.8%), reflecting the fact that the vast majority of our banking book is accrual accounted or subject to hedge accounting. The "Parallel up" scenario would subsequently have a positive effect on NII, assuming a constant balance sheet.

UBS also applies granular internal interest rate shock scenarios to its banking book positions to monitor the banking book's specific risk profile.

Net interest income sensitivity

The main NII sensitivity in the banking book resides in Global Wealth Management and Personal & Corporate Banking. Our investment of equity portfolio has a long duration and Group Treasury actively manages the residual IRRBB. This sensitivity is assessed using a number of scenarios assuming parallel and non-parallel shifts in yield curves, with various degrees of severity, and we have set and monitor thresholds for the NII sensitivity to immediate parallel shocks of -200 and +200 basis points under the assumption of constant balance sheet volume and structure. ▲

► Refer to the "Group performance" section of this report for more information about sensitivity to interest rate movements

Interest rate risk – banking book

| | | 31.12.22 | | | | | | |
|------------------------------|------------------------------------|----------|--------|-----------|--------|-----------------------------------|---|-----------|
| USD m | Effect on EVE ¹ – FINMA | | | | | Effect on EVE ¹ – BCBS | | |
| Scenarios | CHF | EUR | GBP | USD | Other | Total | Additional tier 1 (AT1) capital instruments | Total |
| +1 bp | (4.0) | (0.7) | 0.1 | (20.4) | (0.1) | (25.0) | 3.4 | (21.6) |
| Parallel up ² | (574.6) | (117.0) | 33.2 | (3,944.3) | (26.3) | (4,629.1) | 649.7 | (3,979.4) |
| Parallel down ² | 642.3 | 148.1 | (45.4) | 4,074.9 | 21.9 | 4,841.7 | (699.8) | 4,141.9 |
| Steepener ³ | (257.0) | (92.8) | (28.2) | (1,027.4) | (3.3) | (1,408.7) | (46.8) | (1,455.5) |
| Flattener ⁴ | 145.4 | 74.1 | 32.6 | 94.4 | (2.5) | 344.0 | 189.9 | 533.9 |
| Short-term up ⁵ | (83.0) | 34.3 | 42.2 | (1,519.0) | (13.8) | (1,539.2) | 438.6 | (1,100.6) |
| Short-term down ⁶ | 86.9 | (33.1) | (42.5) | 1,658.5 | 13.4 | 1,683.1 | (455.5) | 1,227.6 |

| | | 31.12.21 | | | | | | |
|------------------------------|------------------------------------|----------|--------|-----------|--------|-----------------------------------|---|-----------|
| USD m | Effect on EVE ¹ – FINMA | | | | | Effect on EVE ¹ – BCBS | | |
| Scenarios | CHF | EUR | GBP | USD | Other | Total | Additional tier 1 (AT1) capital instruments | Total |
| +1 bp | (5.1) | (1.1) | 0.1 | (23.5) | (0.4) | (29.9) | 4.5 | (25.4) |
| Parallel up ² | (724.1) | (196.6) | 33.3 | (5,068.3) | (85.8) | (6,041.4) | 853.4 | (5,188.0) |
| Parallel down ² | 806.3 | 231.9 | (32.8) | 4,124.2 | 19.9 | 5,149.5 | (928.4) | 4,221.1 |
| Steepener ³ | (254.3) | (69.0) | (31.1) | (821.4) | (3.7) | (1,179.6) | (9.6) | (1,189.2) |
| Flattener ⁴ | 117.1 | 37.4 | 35.3 | (362.3) | (34.5) | (207.0) | 197.1 | (10.0) |
| Short-term up ⁵ | (158.7) | (24.1) | 45.4 | (2,165.9) | (59.6) | (2,362.9) | 531.5 | (1,831.4) |
| Short-term down ⁶ | 162.5 | 27.4 | (43.7) | 2,315.6 | 3.8 | 2,465.6 | (553.3) | 1,912.3 |

1 Economic value of equity. 2 Rates across all tenors move by ±150 bps for Swiss franc, ±200 bps for euro and US dollar, and ±250 bps for pound sterling. 3 Short-term rates decrease and long-term rates increase. 4 Short-term rates increase and long-term rates decrease. 5 Short-term rates increase more than long-term rates. 6 Short-term rates decrease more than long-term rates.

Other market risk exposures

Own credit

We are exposed to changes in UBS's own credit reflected in the valuation of financial liabilities designated at fair value when UBS's own credit risk would be considered by market participants, except for fully collateralized liabilities or other obligations for which it is established market practice to not include an own-credit component.

- Refer to "Note 20 Fair value measurement" in the "Consolidated financial statements" section of this report for more information about own credit

Structural foreign exchange risk

Upon consolidation, assets and liabilities held in foreign operations are translated into US dollars at the closing foreign exchange rate on the balance sheet date. Value changes (in US dollars) of non-US dollar assets or liabilities due to foreign exchange movements are recognized in OCI and therefore affect shareholders' equity and CET1 capital.

Group Treasury uses strategies to manage this foreign currency exposure, including matched funding of assets and liabilities and net investment hedging.

- Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about our exposure to and management of structural foreign exchange risk
- Refer to "Note 10 Derivative instruments" in the "Consolidated financial statements" section of this report for more information about our hedges of net investments in foreign operations

Equity investments and investment fund units

Audited I We make direct investments in a variety of entities and buy equity holdings in both listed and unlisted companies, with the aim of supporting our business activities and delivering strategic value to UBS. This includes investments in exchange and clearing house memberships, as well as minority investments in early-stage fintechs and technology companies via UBS Next. We may also make investments in funds that we manage in order to fund or seed them at inception or to demonstrate that our interests align with those of investors. We also buy, and are sometimes required by agreement to buy, securities and units from funds that we have sold to clients.

The fair value of equity investments tends to be influenced by factors specific to the individual investments. Equity investments are generally intended to be held for the medium or long term and may be subject to lock-up agreements. For these reasons, we generally do not control these exposures by using market risk measures applied to trading activities. However, such equity investments are subject to a different range of controls, including preapproval of new investments by business management and Risk Control, portfolio and concentration limits, and regular monitoring and reporting to senior management. They are also included in our Group-wide statistical and stress testing metrics, which flow into our risk appetite framework.

As of 31 December 2022, we held equity investments and investment fund units totaling USD 3.0bn, of which USD 1.9bn was classified as Financial assets at fair value not held for trading and USD 1.1bn as Investments in associates. ▲

- › Refer to “**Note 20 Fair value measurement**” and “**Note 28 Interests in subsidiaries and other entities**” in the “**Consolidated financial statements**” section of this report for more information
- › Refer to “**Note 1 Summary of material accounting policies**” in the “**Consolidated financial statements**” section of this report for more information about the classification of financial instruments

Debt investments

Audited I Debt investments classified as Financial assets measured at fair value through other comprehensive income as of 31 December 2022 were measured at fair value with changes in fair value recorded through Equity, and can broadly be categorized as money market instruments and debt securities primarily held for statutory, regulatory or liquidity reasons.

The risk control framework applied to debt instruments classified as Financial assets measured at fair value through other comprehensive income depends on the nature of the instruments and the purpose for which we hold them. Our exposures may be included in market risk limits or be subject to specific monitoring and interest rate sensitivity analysis. They are also included in our Group-wide statistical and stress testing metrics, which flow into our risk appetite framework.

Debt instruments classified as Financial assets measured at fair value through other comprehensive income had a fair value of USD 2.2bn as of 31 December 2022, compared with USD 8.8bn as of 31 December 2021. Effective from 1 April 2022, UBS has reclassified a portfolio of financial assets from Financial assets measured at fair value through other comprehensive income with a fair value of USD 6.9bn to Other financial assets measured at amortized cost, in line with the principles in IFRS 9, *Financial Instruments*, which require a reclassification when an entity changes its business model for managing financial assets. ▲

- › Refer to “**Note 20 Fair value measurement**” in the “**Consolidated financial statements**” section of this report for more information
- › Refer to “**Economic value of equity sensitivity**” in this section for more information
- › Refer to “**Note 1 Summary of material accounting policies**” in the “**Consolidated financial statements**” section of this report for more information about the classification of financial instruments

Pension risk

We provide a number of pension plans for past and current employees, some classified as defined benefit pension plans under IFRS that can have a material effect on our IFRS equity and CET1 capital.

Pension risk is the risk that defined benefit plans’ funded status might decrease, negatively affecting our capital. This can result from falls in the value of a plan’s assets or in the investment returns, increases in defined benefit obligations, or combinations of the above.

Important risk factors affecting the fair value of pension plans’ assets include equity market returns, interest rates, bond yields, and real estate prices. Important risk factors affecting the present value of expected future benefit payments include high-grade bond yields, interest rates, inflation rates, and life expectancy.

Pension risk is included in our Group-wide statistical and stress testing metrics, which flow into our risk appetite framework. The potential effects are thus captured in the post-stress capital ratio calculations.

- › Refer to “**Note 1 Summary of material accounting policies**” and “**Note 26 Post-employment benefit plans**” in the “**Consolidated financial statements**” section of this report for more information about defined benefit plans

UBS own share exposure

Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards, and also holds shares purchased under the share repurchase program. In addition, the Investment Bank holds a limited number of UBS Group AG shares, primarily in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments.

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

Country risk

Country risk framework

Country risk includes all country-specific events occurring in a sovereign jurisdiction that may lead to impairment of UBS’s exposures. It may take the form of: (i) sovereign risk, which is the ability and willingness of a government to honor its financial commitments; (ii) transfer risk, which arises if a counterparty or issuer cannot acquire foreign currencies following a moratorium by a central bank on foreign exchange transfers; or (iii) “other” country risk. “Other” country risk may manifest itself through, on the one hand, increased and multiple counterparty and issuer default risk (systemic risk) and, on the other hand, events that may affect a country’s standing, such as adverse shocks affecting political stability or institutional and / or legal frameworks. We have a well-established risk control framework to assess the risk profiles of all countries where we have exposure.

We assign a country rating to each country, which reflects our view of the country's creditworthiness and of the probability of a country risk event occurring. Country ratings are mapped to statistically derived default probabilities, described under "Probability of default" in this section. We use this internal analysis to set the credit ratings of governments and central banks, estimate the probability of a transfer event occurring, and establish rules on how aspects of country risk should be incorporated in counterparty ratings of non-sovereign entities domiciled in the respective country.

Country ratings are also used to define our risk appetite and risk exposure to foreign countries. A country risk limit (i.e., maximum aggregate exposure) applies to exposures to counterparties or issuers of securities and financial investments in the given foreign country. We may limit the extension of credit, transactions in traded products or positions in securities based on a country risk ceiling even if our exposure to a counterparty is otherwise acceptable.

For internal measurement and control of country risk, we also consider the financial effect of market disruptions arising prior to, during and after a country crisis. These may take the form of a severe deterioration in a country's debt, equity or other asset markets, or a sharp depreciation of its currency. We use stress testing to assess potential financial effects of severe country or sovereign crises. This involves the developing of plausible stress scenarios for combined stress testing and the identification of countries that may potentially be subject to a crisis event, determining potential losses and making assumptions about recovery rates depending on the types of credit transactions involved and their economic importance to the affected countries.

Our exposures to market risks are subject to regular stress tests covering major global scenarios, which are also used for combined stress testing, where we apply market shock factors to equity indices, interest rates and currency rates in all relevant countries and consider the potential liquidity of the instruments.

Country risk exposure

Country risk exposure measure

The presentation of country risk follows our internal risk view, where the basis for measuring exposures depends on the product category in which we classified the exposures. In addition to the classification of exposures into banking products and traded products, covered in "Credit risk profile of the Group" in this section, in the trading inventory we classify issuer risk on securities such as bonds and equities, as well as risk relating to underlying reference assets for derivative positions.

As we manage the trading inventory on a net basis, we net the value of long positions against short positions with the same underlying issuer. Net exposures are, however, floored at zero per issuer in the figures presented in the following tables. As a result, we do not recognize potentially offsetting benefits of certain hedges and short positions across issuers.

We do not recognize any expected recovery values when reporting country exposures as exposure before hedges, except for risk-reducing effects of master netting agreements and collateral held in either cash or portfolios of diversified marketable securities, which we deduct from the positive exposure values. Within banking products and traded products, risk-reducing effects of credit protection are taken into account on a notional basis when determining the net of hedge exposures.

Country risk exposure allocation

In general, exposures are shown against the country of domicile of the contractual counterparty or the issuer of the security. For some counterparties whose economic substance in terms of assets or source of revenues is primarily located in a different country, the exposure is allocated to the risk domicile of those assets or revenues.

We apply a specific approach for banking products exposures to branches of banks that are located in a country other than the legal entity's domicile. In such cases, exposures are recorded in full against the country of domicile of the counterparty and additionally in full against the country where the branch is located.

In the case of derivatives, we show counterparty risk associated with positive replacement value (PRV) against the counterparty's country of domicile (presented within traded products). In addition, risk associated with an instantaneous fall in value of underlying reference assets to zero (assuming no recovery) is shown against the country of domicile of the issuer of the reference asset (presented within trading inventory). This approach allows us to capture both counterparty and, where applicable, issuer elements of risk arising from derivatives and applies comprehensively for all derivatives, including single-name credit default swaps (CDSs) and other credit derivatives.

CDSs are primarily bought and sold in relation to our trading businesses, and, to a much lesser degree, used to hedge credit valuation adjustments (CVAs). Holding CDSs for credit default protection does not necessarily protect the buyer of protection against losses, as contracts only pay out under certain scenarios. The effectiveness of our CDS protection as a hedge of default risk is influenced by several factors, including the contractual terms under which a given CDS was written. Generally, only the occurrence of credit events as defined by the CDS contract's terms (which may include, among other events, failure to pay, restructuring or bankruptcy) results in payments under the purchased credit protection contracts. For CDS contracts on sovereign obligations, repudiation can also be deemed as a default event. The determination as to whether a credit event has occurred is made by the relevant International Swaps and Derivatives Association (ISDA) determination committees (composed of various ISDA member firms) based on the terms of the CDS and the facts and circumstances surrounding the event.

Top 20 country risk exposures

The table below shows our 20 largest country exposures by product type, excluding our home country, as of 31 December 2022 compared with 31 December 2021.

Compared with the prior year, our net exposure to the UK decreased by USD 14.5bn, driven by central bank exposures due to treasury activities. Net exposure to Germany increased by USD 4.1bn, driven by central bank exposures due to treasury activities. Net exposures to Singapore increased by USD 1.9bn, driven by trading inventory due to treasury activities. Net exposure to China decreased by USD 1.7bn, predominantly driven by trading inventory across issuer risk and margin loans, as well as traded and banking products. Net exposure to France increased by USD 1.7bn, driven by trading inventory due to treasury activities. Net exposure to the US increased by USD 1.6bn, driven by mortgages, as well as trading inventory due to treasury activities with partial offsets related to securities financing transactions.

Based on the sovereign rating categories, as of 31 December 2022, 86% of our emerging market country exposure was rated investment grade, compared with 84% as of 31 December 2021.

Russia

Our direct country risk exposure to Russia contributed USD 98m to our total emerging market exposure of USD 18.6bn as of 31 December 2022, compared with a contribution of USD 634m as of 31 December 2021. This includes trade finance exposures in Personal & Corporate Banking, Nostro and cash accounts balances, and issuer risk on trading inventory within the Investment Bank.

We had no material direct country risk exposures to Belarus or to Ukraine as of 31 December 2022 and no material reliance on Russian, Belarusian or Ukrainian collateral.

Top 20 country risk net exposures by product type

| USD m | Total | | Banking products (loans, guarantees, loan commitments) | | Traded products (counterparty risk from derivatives and securities financing) after master netting agreements and net of collateral | | Trading inventory (securities and potential benefits / remaining exposure from derivatives) | |
|---------------------------------|----------------------------|----------------|---|----------------|---|---------------|--|---------------|
| | Net of hedges ¹ | | Net of hedges ¹ | | Net of hedges | | Net long per issuer | |
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| United States | 117,994 | 116,388 | 81,875 | 79,647 | 6,620 | 8,371 | 29,499 | 28,371 |
| United Kingdom | 20,360 | 34,837 | 10,887 | 24,788 | 7,982 | 7,465 | 1,490 | 2,585 |
| Japan | 15,894 | 14,764 | 13,251 | 10,572 | 2,232 | 3,508 | 410 | 684 |
| Germany | 14,651 | 10,564 | 8,255 | 3,397 | 1,495 | 1,232 | 4,901 | 5,934 |
| Singapore | 10,863 | 8,993 | 3,038 | 3,110 | 2,493 | 2,557 | 5,332 | 3,326 |
| France | 7,996 | 6,301 | 2,056 | 1,356 | 1,335 | 1,711 | 4,605 | 3,235 |
| Australia | 4,893 | 6,397 | 1,365 | 2,674 | 1,833 | 1,786 | 1,696 | 1,937 |
| Canada | 4,722 | 3,933 | 274 | 1,199 | 620 | 1,044 | 3,827 | 1,689 |
| China | 3,625 | 5,344 | 1,347 | 1,823 | 295 | 830 | 1,983 | 2,691 |
| South Korea | 3,265 | 2,479 | 388 | 462 | 411 | 418 | 2,466 | 1,599 |
| Luxembourg | 3,230 | 3,453 | 2,717 | 2,438 | 87 | 58 | 427 | 958 |
| Netherlands | 2,866 | 3,020 | 1,074 | 1,183 | 669 | 830 | 1,123 | 1,007 |
| Hong Kong SAR | 2,278 | 3,388 | 938 | 1,914 | 455 | 367 | 885 | 1,107 |
| Norway | 1,676 | 1,215 | 80 | 25 | 396 | 206 | 1,200 | 983 |
| United Arab Emirates | 1,393 | 769 | 446 | 555 | 707 | 117 | 240 | 97 |
| Thailand | 1,383 | 1,469 | 344 | 208 | 23 | 26 | 1,017 | 1,235 |
| Sweden | 1,293 | 1,617 | 158 | 647 | 332 | 194 | 803 | 776 |
| Austria | 1,192 | 1,220 | 285 | 265 | 116 | 97 | 792 | 858 |
| Monaco | 1,017 | 1,022 | 1,001 | 984 | 16 | 28 | 0 | 10 |
| India | 975 | 1,119 | 847 | 991 | 88 | 87 | 40 | 41 |
| Total top 20² | 221,565 | 228,291 | 130,626 | 138,238 | 28,203 | 30,930 | 62,736 | 59,124 |

¹ Before deduction of IFRS 9 ECL allowances and provisions. ² Excluding Switzerland, supranationals and global funds.

Emerging markets¹ net exposure² by internal UBS country rating category

| USD m | 31.12.22 | 31.12.21 |
|----------------------|---------------|---------------|
| Investment grade | 16,029 | 17,608 |
| Sub-investment grade | 2,594 | 3,261 |
| Total | 18,623 | 20,869 |

¹ We classify countries as emerging markets based on per capita GDP, historical real GDP growth, alignment with international institutions (such as BIS, World Bank, IMF, MSCI) and other factors. ² Net of credit hedges (for banking products and for traded products); net long per issuer (for trading inventory). Before deduction of IFRS 9 ECL allowances and provisions.

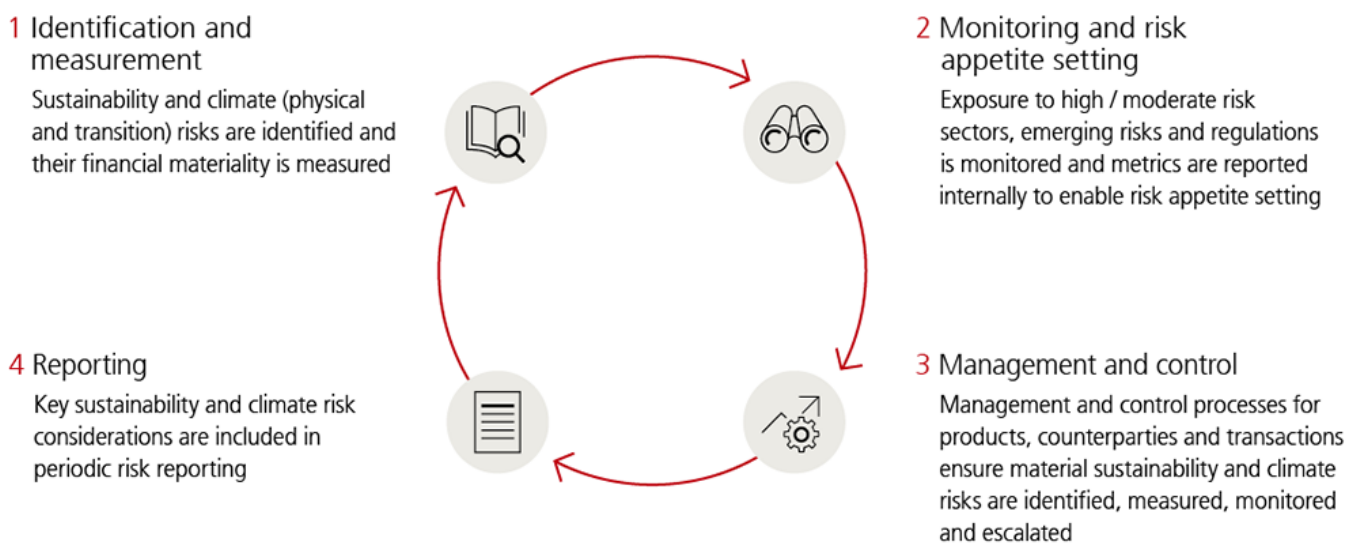
Sustainability and climate risk

At UBS, sustainability and climate risk is defined as the risk that UBS negatively impacts or is impacted by climate change, natural capital, human rights or other environmental, social and governance (ESG) matters.

Sustainability and climate risk may manifest as credit, market, liquidity and / or non-financial risk for UBS, resulting in potential adverse financial, liability and / or reputational impacts. These risks extend to the value of investments and may also affect the value of collateral (e.g., real estate). The management of sustainability and climate risk is key, amid a global drive to meet the United Nations Sustainable Development Goals (the SDGs) and the transition to net zero, as defined by the Paris Agreement. In addition, regulators across jurisdictions increasingly seek to understand the potential financial impacts of climate change.

Our sustainability and climate risk policy framework governs client and supplier relationships, applies Group-wide to all activities, and is integrated in management practices and control principles. The sustainability and climate risk framework is embedded in our standard risk, compliance and operations processes and applied as described below.

Sustainability and climate risk framework



The aforementioned processes include client onboarding, transaction due diligence, product development and investment decision processes, own operations, supply chain management, and portfolio reviews. This framework is geared toward identifying clients, transactions or suppliers potentially in breach of our standards or otherwise subject to significant controversies related to sustainability, human rights or climate change.

› Refer to “Sustainability and climate risk policy framework” in Supplement 2 to our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information

Managing climate risk

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

Our sustainability and climate risk (SCR) unit (part of Group Risk Control) manages material exposure to sustainability and climate risks. It also advances our firm-wide SCR initiative to build in-house capacity for the management of sustainability and climate-related risks.

Our SCR initiative follows a multi-year roadmap. It is designed to integrate sustainability and climate risk considerations into our various traditional financial and non-financial risk management frameworks, and related policies and processes. This is necessary to meet expectations regarding the management of sustainability and climate risks and to deliver on climate stress-test exercises. Our roadmap is configured to address current and emerging regulations and builds capacity through expertise and collaboration, for example, structured engagement with internal and external stakeholders (e.g., our Group Compliance, Regulatory & Governance (GCRG) function, for non-financial risks) and pertinent experts.

In 2022, the SCR initiative monitored emerging sustainability and climate risk regulation, engaged with select regulators for deep dives, and further advanced efforts toward the goal of full integration of sustainability and climate risk into our traditional risk management frameworks and stress-testing capacity. Further developments included establishing sustainable product guidelines, building new capacity to centrally structure, acquiring and deploying ESG data across the firm, and further refining governance and methodologies driving ESG reporting and disclosure.

› Refer to “Our management of climate risks” in our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information

UBS’s lending to climate-sensitive sectors

UBS approaches climate risk identification by integrating climate risk drivers, expert-based views on their transmission channels, and climate risk methodologies (e.g., risk scores and heatmaps). This enables a materiality-driven approach to climate risk management.

› Refer to “Climate related materiality assessment” in our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information

The current inventory of UBS’s exposure to climate-sensitive activities (transition and physical risk) at the sector level is summarized in the table below. Exposures may appear either under one or more of the risk types, as the methodologies are distinct in their approach and application and should not be added up as one total exposure figure. Climate risk analysis is a novel area of research, and, as the methodologies, tools, and data availability improve, we will further develop our risk identification and measurement approaches.

Risk exposures by sector^{1,2}

| Sector | Exposure | | Transition risk | | | | Physical risk | | |
|---|-----------------|---------------|--|--|--|--|--|--|--|
| | 2020–2022 trend | 2022 (USD bn) | 2022 climate-sensitive exposure ³ | 2022 risk-rating category ³ | 2020–2022 trend in risk profile ⁴ | In scope of net-zero target (%) ⁵ | 2022 climate-sensitive exposure ³ | 2022 risk-rating category ³ | 2020–2022 trend in risk profile ⁴ |
| Agriculture | | | | | | | | | |
| Agriculture, fishing and forestry | ↓ | 0.3 | 0.0 | Moderately low | ↑ | | 0.3 | Moderate | ↓ |
| Food and beverage | ↓ | 3.2 | 1.4 | Moderate | ↓ | | 2.3 | Moderate | ↓ |
| Financial services | | | | | | | | | |
| Financial services | ↑ | 46.9 | 0.0 | Low | ↓ | | 7.1 | Moderately low | ↓ |
| Industrials | | | | | | | | | |
| Cement or concrete manufacture | ↑ | 0.5 | 0.5 | Moderately high | ↓ | 98 | 0.5 | Moderate | ↓ |
| Chemicals manufacture | ↓ | 1.0 | 1.0 | Moderately high | ↓ | | 1.0 | Moderate | ↑ |
| Electronics manufacture | ↓ | 1.8 | 0.0 | Moderately low | ↓ | | 0.1 | Moderately low | ↑ |
| Goods and apparel manufacture | ↑ | 2.1 | 1.0 | Moderate | ↓ | | 0.9 | Moderately low | ↓ |
| Machinery manufacturing | ↓ | 2.9 | 2.6 | Moderate | ↓ | | 0.1 | Moderately low | ↓ |
| Pharmaceuticals manufacture | ↑ | 1.9 | 1.9 | Moderately high | ↓ | | 0.2 | Moderately low | ↓ |
| Plastics and petrochemicals manufacture | ↓ | 0.9 | 0.9 | Moderate | ↓ | | 0.8 | Moderate | ↓ |
| Metals and mining | | | | | | | | | |
| Conglomerates (incl. trading) | ↓ | 2.4 | 2.4 | Moderate | ↓ | | 0.4 | Moderately low | ↓ |
| Mining and quarrying | ↓ | 0.4 | 0.0 | Moderately low | ↓ | | 0.4 | Moderately high | ↓ |
| Production | ↑ | 0.4 | 0.4 | Moderate | ↓ | | 0.1 | Moderate | ↑ |
| Fossil fuels | | | | | | | | | |
| Downstream refining, distribution | ↑ | 0.3 | 0.3 | Moderate | ↑ | | 0.3 | Moderate | ↓ |
| Integrated | ↓ | 0.4 | 0.4 | Moderately high | ↓ | 100 | 0.4 | Moderate | ↓ |
| Midstream transport, storage | ↑ | 0.0 | 0.0 | Moderate | ↓ | | 0.0 | Moderate | ↓ |
| Trading | ↑ | 5.2 | 5.2 | Moderate | ↓ | | 5.2 | Moderately high | ↓ |
| Upstream extraction | ↓ | 0.1 | 0.1 | Moderately high | ↓ | 95 | 0.1 | Moderate | ↓ |
| Real estate | | | | | | | | | |
| Real estate development and management | ↓ | 5.6 | 1.8 | Moderately low | ↓ | | 0.8 | Moderately low | ↓ |
| Residential ² | ↑ | 158.9 | 0.0 | Low | → | 99 | 0.0 | Low | → |
| Commercial ² | ↑ | 47.1 | 1.4 | Moderately low | ↓ | 97 | 1.7 | Low | ↑ |
| Services and technology | | | | | | | | | |
| Services and technology | ↓ | 19.6 | 0.0 | Low | ↓ | | 3.0 | Moderately low | ↓ |

Risk exposures by sector^{1,2} (continued)

| Sector | Exposure | | Transition risk | | | Physical risk | | | |
|---|-----------------|---------------|--|--|--|--|--|--|--|
| | 2020–2022 trend | 2022 (USD bn) | 2022 climate-sensitive exposure ³ | 2022 risk-rating category ³ | 2020–2022 trend in risk profile ⁴ | In scope of net-zero target (%) ⁵ | 2022 climate-sensitive exposure ³ | 2022 risk-rating category ³ | 2020–2022 trend in risk profile ⁴ |
| Transportation | | | | | | | | | |
| Air transport | ↓ | 1.8 | 1.8 | Moderate | ↓ | | 1.1 | Moderate | ↓ |
| Automotive | ↓ | 0.4 | 0.1 | Moderately low | ↓ | | 0.0 | Moderately low | ↓ |
| Parts and equipment supply | ↓ | 0.5 | 0.5 | Moderate | ↓ | | 0.1 | Moderately low | ↓ |
| Rail freight | ↓ | 0.7 | 0.0 | Low | ↓ | | 0.2 | Moderately low | ↓ |
| Road freight | ↓ | 0.5 | 0.5 | Moderate | ↓ | | 0.2 | Moderately low | ↓ |
| Transit | ↓ | 0.2 | 0.0 | Moderately low | ↓ | | 0.1 | Moderately low | ↓ |
| Water transport | ↓ | 0.4 | 0.0 | Moderately low | ↓ | | 0.4 | Moderate | ↓ |
| Utilities | | | | | | | | | |
| Other | ↓ | 0.2 | 0.1 | Moderately low | ↑ | | 0.1 | Moderate | ↓ |
| Secondary energy production | ↑ | 2.0 | 0.5 | Moderately low | ↓ | 91 | 2.0 | Moderate | ↓ |
| Secondary energy trading | ↓ | 0.0 | 0.0 | Moderately low | ↓ | | 0.0 | Moderate | ↓ |
| Private lending | | | | | | | | | |
| Lombard ^{2,6} | ↓ | 137.3 | 0.0 | Low | ↓ | | 0.0 | Moderately low | ↓ |
| Private lending, credit cards, other ² | ↓ | 4.1 | 0.0 | Not Classified | → | | 0.0 | Not Classified | → |
| Total | ↓ | 450.0 | 24.9 | Moderately low | ↓ | | 30.0 | Moderately low | ↓ |
| <i>of which: sensitive exposure (%)</i> | | | <i>5.5</i> | | | <i>6.7</i> | | | |

1 Consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss), and is based on consolidated and standalone IFRS numbers, in USD bn. Metrics and trends are calculated and restated based on 2022 methodology, across three years of reporting, 2020–2022. 2 Methodologies for assessing climate-related risks are emerging and may change over time. As the methodologies, tools and data availability improve, we will further develop our risk identification and measurement approaches, including further and updated geospatial analysis of properties securing financing with UBS (real estate) and better understanding how private lending (e.g., Lombard) activities may result in direct financial impacts for UBS. For physical climate risks, UBS has identified select properties in its real estate portfolio that are vulnerable to acute climate hazards. However, real estate rating is assigned based on the riskiness of loan counterparties or qualitative estimates leveraging internal studies. 3 Climate-related risks are scored between 0 and 1, based upon sustainability and climate risk transmission channels, as outlined in Appendix 3 to our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors. Risk ratings represent a range of scores across five risk-rating categories: low, moderately low, moderate, moderately high, and high. The climate-sensitive exposure metrics are determined based upon the top three out of five rated categories: high to moderate. Legend on risk codes: not classified means the respective category of risk rating is not classified and its range of risk profiles scores 0%; low means the category of risk rating is low and its range of risk profiles scores ≤19%; moderately low means the category of risk rating is moderately low and its range of risk profiles scores >19% and ≤39%; moderate means the category of risk rating is moderate and its range of risk profiles scores >39% and ≤59%; moderately high means the category of risk rating is moderately high and its range of risk profiles scores >59% and ≤79%; high means the category of risk rating is high and its range of risk profiles scores >79% and ≤100%. 4 A material change in risk profile (discrete risk score, weighted average per sub-sector) is considered a >5% shift up, or down. 5 Calculated as a % of total exposure to the sub-sector, overall net-zero targets cover 45.6% of UBS lending, as defined in footnote 1. 6 Lombard lending rating is assigned based on the average riskiness of loans.

Transition risk heatmap

Transition risk covers the adjustment to an environmentally sustainable economy, including changes in public policies, disruptive technological developments and shifts in consumer and investor preferences. Our transition risk heatmap methodology is based on a risk-segmentation process, dividing and rating economic sectors and industry sub-segments that share similar risk vulnerability characteristics.

These are then scored and rated according to their vulnerability to (i) climate policy, (ii) low-carbon technology risks and (iii) revenue or demand shifts under an immediate and ambitious approach, to meeting the well-below-2°C Paris goal. We are able to use these risk ratings to support identification of potential climate-sensitive concentrations. The ratings in the heatmap are bands of scores (from 0 to 1), and reflect the levels of risk that would likely occur under an ambitious transition (in a short-term time horizon).

Our current transition risk heatmap shows that our exposure to activities rated as having high, moderately high or moderate vulnerability to climate transition risks is relatively low (as a percentage, in 2022 compared with 2021). Most year-on-year fluctuations (2021 to 2022) were in the energy sector, specifically in the oil and gas midstream and downstream segments, and were caused by increasing energy prices, as the Russia–Ukraine war tightened the global energy supply. Despite these fluctuations, we have continued to reduce our exposure to climate-sensitive sectors.

- › Refer to "Managing sustainability and climate risks" in our Sustainability Report 2022, available under "Annual reporting" at ubs.com/investors, for more information

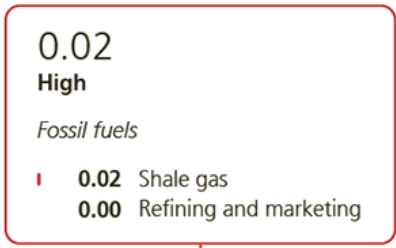
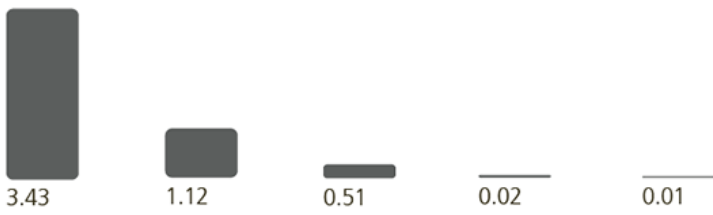
Climate risk heatmap (transition risk)^{1,2}

In USD bn

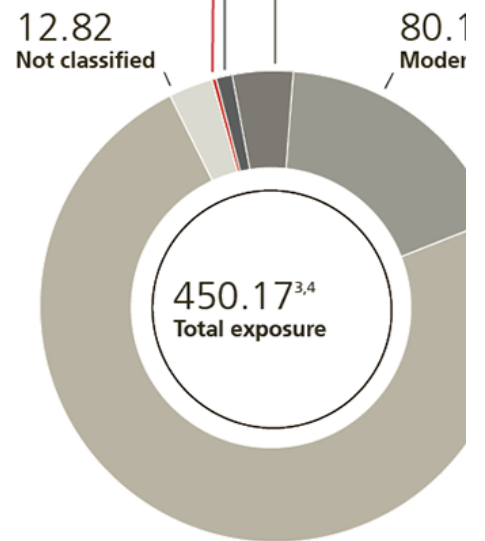
5.08

Moderately high

Industrials Fossil fuels Utilities Real estate Agriculture



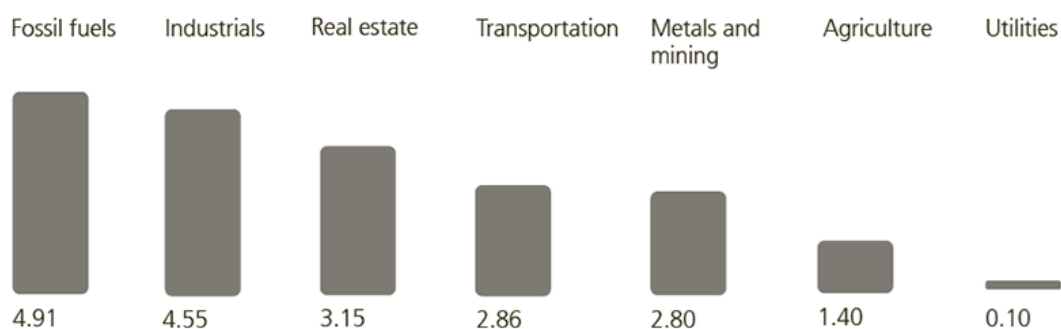
| Sector | Sub-sector | Exposure (USD bn) |
|--------------|--|-------------------|
| Industrials | Pharmaceuticals | 1.90 |
| | Chemicals | 1.02 |
| | Cement or concrete manufacture | 0.51 |
| Fossil fuels | Wholesale/trade: crude oil and natural gas | 0.54 |
| | Integrated oil and gas | 0.40 |
| | Conventional oil (on-/offshore) | 0.11 |
| | Gas processing (incl. LNG) | 0.08 |
| Utilities | Electricity from high-carbon fuels (regulated) | 0.51 |
| Real estate | Commercial real estate | 0.02 |
| Agriculture | Livestock – beef extensive grazing | 0.01 |



¹ Consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss), and are
² Climate-related risks are scored between 0 and 1, based upon sustainability and climate risk transmission channels, as outlined in the Appendix 3 to our Sustain
low, moderately low, moderate, moderately high, and high. Climate-sensitive exposure metric is determined based upon the top 3 out of 5 rated categories: h
the sensitive sector.
³ Total exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual.
⁴ Methodologies for assessing climate-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will
estate) and better understanding how private lending (e.g., Lombard) activities may result in direct financial impacts to UBS. Not classified represents portion o
riskiness of loans.

19.77

Moderate



9
slightly low

332.28
Low

Fossil fuels



Industrials



Real estate



Transportation



Metals and mining



Agriculture



Utilities



based on consolidated and standalone IFRS numbers.

Annual Report 2022, available under "Annual reporting" at ubs.com/investors. Risk ratings represent a range of scores across 5 risk rating categories: high to moderate. Sectors, such as fossil fuels, are further segmented to categories reflecting a range of risk vulnerabilities from high to moderate, within

further develop our risk identification and measurement approaches, including updated geospatial analysis of properties securing financing with UBS (real estate) and UBS business activities where methodologies and data are not yet able to provide a rating. Lombard lending rating is assigned based on the average

Physical risk heatmap

Physical risk arises from the impact of weather events and long-term or widespread environmental changes. The physical risk heatmap methodology groups corporate counterparties based on exposure to key physical risk factors, by rating sectoral (sectoral average risk distribution), geographic (vulnerability and adaptive capacity) and value chain (sectoral average risk distribution) vulnerabilities in a climate-change trajectory in which no additional policy action is taken, and scored for the potential for financial loss in the short-term time horizon. Ratings from low to high are based on a weighted-average score (from 0 to 1), given by double-weighting sector and geography and single-weighting value chain.

› Refer to “Managing sustainability and climate risks” in our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors

We will continue to enhance our methodology in 2023, with relevant subject matter experts (e.g., country risk experts) and enhanced vendor data sources (e.g., systematic integration of geospatial tools and data). Our current physical risk heatmap shows that we have relatively low exposure to activities rated as having high, moderately high or moderate vulnerability to physical climate risks. Key concentrations of exposure include high volumes of real estate lending in Switzerland. Most of our lending is to the financial sector, which by its nature has a lower physical climate risk. Key exceptions are lending to property insurance companies or lending in higher-risk regions, such as South Asia.

The chart below shows the location-specific risk distribution compared with the spread of physical risk across sectoral risk ratings versus country (risk domicile, see above) risk ratings. The size of the circle indicates the relative lending exposure.

Scenario analysis and stress test exercises

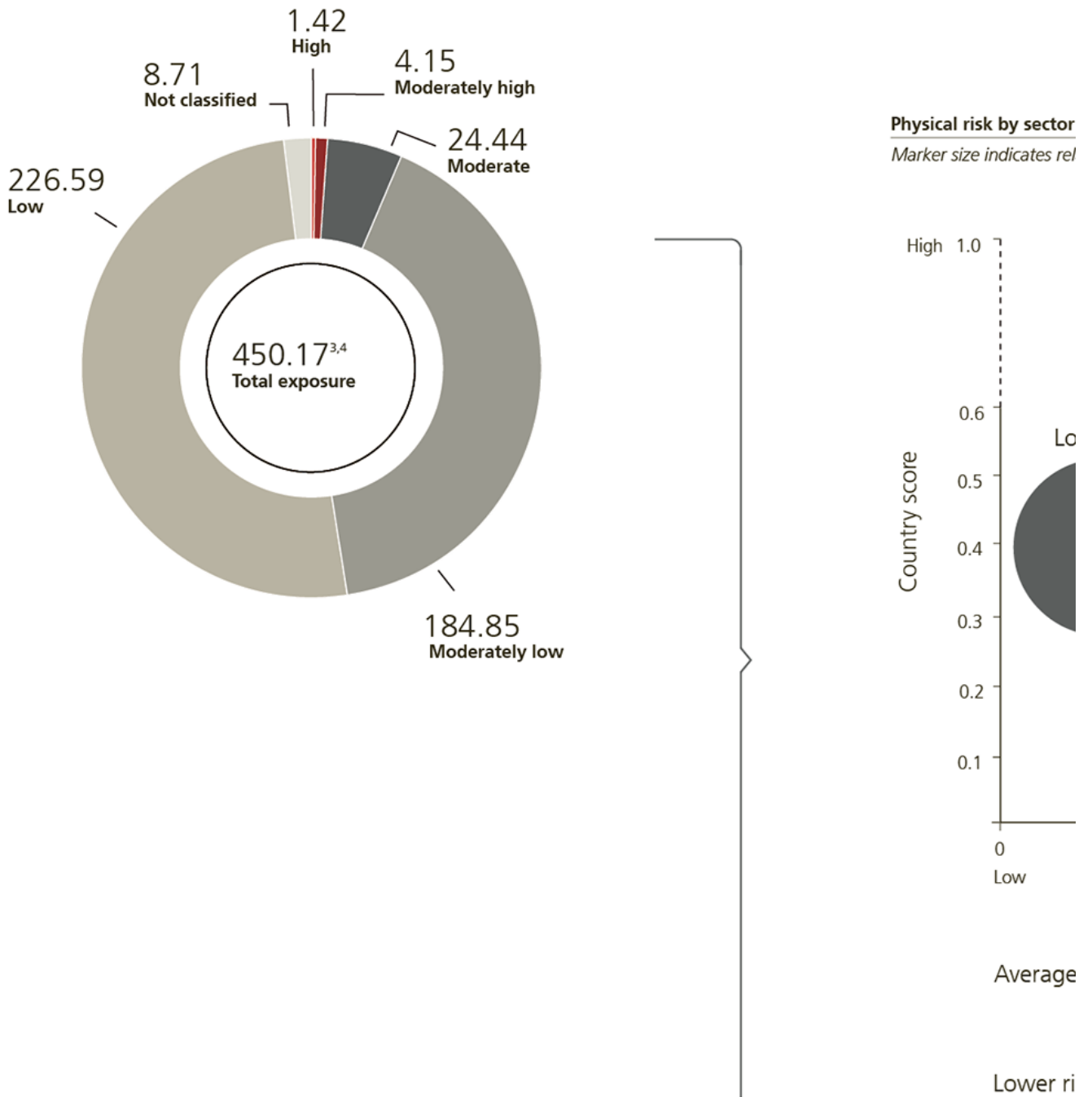
We use scenario-based approaches to assess our exposure to physical and transition risks stemming from climate change. We have introduced a series of assessments performed through industry collaborations in order to harmonize approaches for addressing methodological and data gaps. We have performed top-down balance sheet stress testing (across the Group), as well as targeted, bottom-up analysis of specific sector exposures covering short-, medium-, and long-term time horizons.

UBS first participated in regulatory scenario analysis and stress test exercises in 2021, namely the Bank of England (BoE) 2021 Climate Biennial Exploratory Scenario (CBES): Financial risks from climate change; and the Climate Risk Stress Test (CST) of the European Central Bank (the ECB). In addition, in 2021 UBS participated in climate risk assessment conducted in Switzerland jointly by FINMA and the Swiss National Bank. Throughout 2022, we engaged with a range of regulatory surveys and other requests for information from supervisors around the globe.

› Refer to “Managing sustainability and climate risks” in our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors

Climate risk heatmap (physical risk)^{1,2}

In USD bn



1 Consists of total loans and advances to customers and guarantees, as well as irrevocable loan commitments (within the scope of expected credit loss), and are included in the total exposure.

2 Climate-related risks are scored between 0 and 1, based upon sustainability and climate risk transmission channels, as outlined in the Appendix 3 to our Sustainability Report. Risk levels are categorized as low, moderately low, moderate, moderately high, and high. Climate sensitive exposure metric is determined based upon the top 3 out of 5 rated categories: high, moderate, and moderately high.

3 Total exposure calculation is subject to rounding to two decimal places, hence potential deviation from actual.

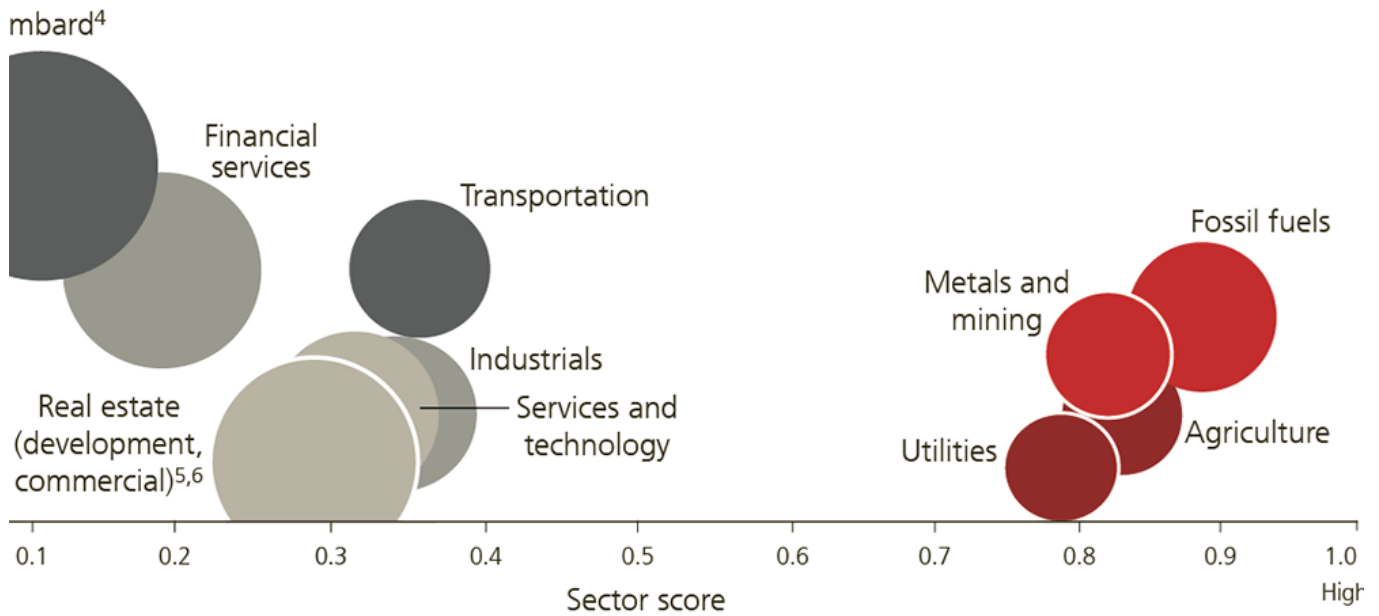
4 Methodologies for assessing climate-related risks are emerging and may change over time. As the methodologies, tools, and data availability improve, we will further refine our risk assessment (e.g., Lombard) activities may result in direct financial impacts to UBS. Not classified represents portion of total exposure that is not assigned a risk level.

5 Residential real estate is not given a sector score, therefore not included in this chart, however, is rated "low" based on periodic geospatial analysis.

6 UBS has identified select properties in its portfolio that are vulnerable to acute climate hazards, however portfolio-level risks are inherently low, given the integration of climate risk into our underwriting process.

and geographic (country) scores

ative exposure magnitude



country and sector score



based on consolidated and standalone IFRS numbers. Ability Report 2022, available under "Annual reporting" at ubs.com/investors. Risk ratings represent a range of scores across, 5 risk rating categories: low to moderate. Sectors, such as fossil fuels, are further segmented to categories reflecting a range of risk vulnerabilities from high to moderate, within

further develop our risk identification and measurement approaches, including updated geospatial analysis of properties securing financing with UBS (real UBS business activities where methodologies and data are not yet able to provide a rating. Lombard lending rating is assigned based on the average

ation of such information into UBS's loan underwriting processes.

Non-financial risk

Non-financial risk is the risk of undue monetary loss and / or non-monetary adverse consequences resulting from inadequate or failed internal processes, people and / or systems, failure to comply with laws and regulations and internal policies and procedures, or external events (deliberate, accidental or natural) that have an impact, monetary or non-monetary, on UBS, its clients or its markets.

Key developments

We have identified eight non-financial risk themes as being currently key to us. These are:

- digital transformation and change delivery;
- data life cycle;
- operational resilience and cyber threat;
- investor protection and market interaction;
- strategic growth initiatives and partnerships;
- the evolving nature of AML / KYC and sanctions;
- virtual assets; and
- environmental, social and governance (ESG) risks.

We are continuing our efforts regarding innovation and digitalization to create value for our clients. As part of the resulting transformation, we focus on timely and properly controlled changes to frameworks, including consideration of new or revised controls, working practices and oversight, with the aim of mitigating any new risks introduced.

The increasing interest in data-driven advisory processes, and use of artificial intelligence and machine learning, is opening up new questions related to data ethics, data privacy and records management. In addition, given the interconnectivity between systems and data flows, it is important that data is properly managed and is complete, timely and correct. We are actively enhancing the required frameworks, which are designed to ensure proper controls are in place to meet regulatory and customer expectations.

Given rising geopolitical tensions, coupled with ongoing environmental and health threats, we believe that it is essential that UBS remains operationally resilient. We have developed a global operational resilience framework and are implementing it across all business divisions and jurisdictions. The framework will mature over time and is designed to drive enhancements in operational resilience. In addition, in regions with local COVID-19 restrictions, our response continues to rely upon our business continuity management and operational risk processes, with no material impact on our services.

The inherent risk of cyberattacks continues to be elevated, as the geopolitical situation increases the likelihood of external state-driven cyber activity, and attacks are becoming increasingly sophisticated, which may result in business disruption or the corruption or loss of data. It is therefore key that our cyber-defense capabilities continue to be strengthened and evolve in line with developments in the threat landscape. Our IT security controls, staff training and communications, and cyber-threat monitoring provided adequate cyber defenses to prevent our operations being materially impacted by cybersecurity incidents in 2022. We continue to enhance our cyber capabilities to stay abreast of evolving threats. Cyberattacks may also occur on the systems that are operated by external service providers. If a successful attack occurs at a service provider, as we have recently experienced, we may be dependent on the service provider's ability to detect, investigate and assess the attack, and successfully restore the relevant systems and data.

As we continue to move to a post-pandemic "new normal," changes to the work environment (including permanent hybrid working and the introduction of agile ways of working) have introduced new challenges for supervision and monitoring. Hybrid working can lead to increased conduct risk, inherent risk of fraudulent activities, potential increases in the number of suspicious transactions, and increased information security risks. We have implemented additional monitoring and supervision to mitigate these risks.

Competition to find new investment opportunities across the financial services sector, both for firms and for customers, is increasing. Thus, suitability risk, product selection, cross-divisional service offerings, quality of advice and price transparency also remain areas of heightened focus for UBS and for the industry as a whole.

With regard to consumer protection, sustainable investing, market volatility and major legislative change programs, such as the Swiss Financial Services Act (FIDLEG) in Switzerland, Regulation Best Interest (Reg BI) in the US and the Markets in Financial Instruments Directive II (MiFID II) in the EU, all significantly affect the industry and require adjustments to control processes on a geographically aligned basis.

Achieving fair outcomes for our clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to us. We maintain a conduct risk framework across our activities, which is designed to align our standards and conduct with these objectives and to retain momentum on fostering a strong culture.

Cross-border risk remains an area of regulatory attention for global financial institutions, with a strong focus on fiscal transparency, as well as market access, particularly third-country market access into the European Economic Area. There is also an ongoing high level of attention regarding the risk that tax authorities may, on the basis of new interpretations of existing law, seek to impose taxation based on the existence of a permanent establishment. We maintain a series of controls designed to address these risks. Remote communication and the use of digital solutions also require that these evolving client channels remain compliant.

In September 2022, the Securities and Exchange Commission (the SEC) and the Commodity Futures Trading Commission (the CFTC) issued settlement orders with UBS AG relating to communications recordkeeping requirements in our US broker-dealers and our registered swap dealer. In response, we have initiated a program to remediate the identified shortcomings.

Financial crime, including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption, continues to present a major risk, as technological innovation and geopolitical developments increase the complexity of doing business and heightened regulatory attention continues. An effective financial crime prevention program therefore remains essential for UBS. Money laundering and financial fraud techniques are becoming increasingly sophisticated, and geopolitical volatility makes the sanctions landscape more complex, as new or novel sanctions may be imposed that require complex implementation in a short time frame, such as the extensive and continuously evolving sanctions arising from the Russia–Ukraine war. As a regulated financial institution, UBS is subject to the requirements of, and to supervision by, the Swiss Financial Market Supervisory Authority (FINMA), the US Federal Reserve Board, the US Office of the Comptroller of the Currency (the OCC), the US Federal Deposit Insurance Corporation, the US SEC, the UK Prudential Regulation Authority, the UK Financial Conduct Authority, the German Federal Financial Supervisory Authority (BaFIN) and the European Central Bank (the ECB), as applicable. As such, we maintain policies and procedures that are reasonably designed to comply with the sanctions, anti-bribery and anti-corruption regimes in the jurisdictions in which we operate, including the Swiss, EU, US and UK regimes.

In the US, the OCC issued a Cease and Desist Order against UBS in May 2018 relating to our US branch anti-money-laundering (AML) and know-your-client (KYC) programs. In response, we initiated an extensive program for the purpose of ensuring sustainable remediation of US-relevant Bank Secrecy Act / AML issues across all our US legal entities. We introduced significant improvements to the framework between 2019 and 2022. We are continuing to implement these enhancements, as well as evolving them to respond to any new and emerging risks.

We continue to focus on strategic enhancements to our global AML / KYC and sanctions programs, including the exploration of new technologies and sophisticated monitoring and analytical capabilities, as well as the application of risk appetite statements for markets.

In line with our firm-wide purpose, ESG topics and the risks related to them are high on our agenda, particularly considering the increasing regulatory focus on ESG disclosure, climate-related stress testing, net-zero commitments, greenwashing risk and the strategic commercial pushing of sustainability topics, as well as the potential for new and diverse regulations being deployed across jurisdictions. Strong regulatory development tracking and impact assessment are key, as is integrating ESG factors into the financial and non-financial risk control frameworks as required.

› Refer to “Sustainability and climate risk” in this section for more information about risks related to sustainability and climate risk

New risks continue to emerge. For example, client demand for distributed ledger technology, blockchain-based assets and virtual currencies creates new risks, to which we currently have limited exposure and for which relevant control frameworks are being implemented.

Non-financial risk framework

Non-financial risk is an inherent part of our business. Losses can result from people and systems, inadequate or failed internal processes, or external causes. We follow a Group-wide non-financial risk framework that establishes requirements for identifying, managing, assessing and mitigating operational, compliance and conduct risks to achieve an agreed balance between risk and return. It is built on the following pillars:

- classifying inherent risks through 18 non-financial risk taxonomies, which define the universe of material non-financial risks that can arise as a consequence of our business activities and external factors;
- assessing the design and operating effectiveness of controls through our control assessment process;
- defining the non-financial risk appetite (including a financial risk appetite statement at the Group, UBS AG and business division levels for non-financial risk events) through quantitative metrics and thresholds and qualitative measures, and assessing risk exposure against appetite;
- assessing inherent and residual risk through risk assessment processes and determining whether additional remediation plans are required to address identified deficiencies; and
- proactively and sustainably remediating identified control deficiencies.

Divisional Presidents are accountable for the effectiveness of non-financial risk management and for the robustness of the front-to-back control environment within their business divisions, and legal-entity-responsible executives are in charge of non-financial risk management within their legal entities. Group function heads are accountable for supporting the divisional Presidents and legal-entity-responsible executives of our legal entities in the discharge of this responsibility, by confirming completeness and effectiveness of the control environment and non-financial risk management within their Group functions. Collectively, divisional Presidents, central Group function heads and legal-entity-responsible executives are in charge of implementing the non-financial risk framework.

Compliance & Operational Risk Control (C&ORC) is responsible for providing an independent and objective view of the adequacy of non-financial risk management across the Group, and ensuring that compliance risk, financial crime risk and operational risk are understood, owned and managed in accordance with our risk appetite. C&ORC business- or function-aligned teams sit within the Group Compliance, Regulatory & Governance (GCRG) function, reporting to the Group Chief Compliance and Governance Officer, who is a member of the Group Executive Board. The non-financial risk framework forms the common basis for managing and assessing compliance risk, financial crime risk and operational risk, and there are additional C&ORC activities intended to ensure we are able to demonstrate compliance with applicable laws, rules and regulations.

In 2022, we continued to review and enhance the non-financial risk framework, including delivery of the Group Functions Risk Control Self-Assessment for the first time and the rolling-out of the simplified risk taxonomy, which also facilitated the development of the firm-wide non-financial risk appetite statement and assessments across all 18 taxonomies.

All functions within UBS are required to assess the design and operating effectiveness of their internal controls periodically. The output of these reviews supports the assessment and testing scope of internal controls over financial reporting as required by the Sarbanes–Oxley Act, Section 404 (SOX 404).

Key control deficiencies identified during the internal control and risk assessment processes must be reported in the non-financial risk inventory, and sustainable remediation must be defined and executed. These control deficiencies are assigned to owners at senior management level and the remediation progress is reflected in the respective managers' annual performance measurement and objectives. To assist with prioritizing the most material control deficiencies and measuring aggregated risk exposure, irrespective of origin, a common rating methodology is applied across all three lines of defense, as well as by external audit.

Advanced measurement approach model

The non-financial risk framework outlined above underpins the calculation of regulatory capital for operational risk, which enables us to quantify operational risk and define effective risk-mitigating management incentives as part of the related operational risk capital allocation approach to the business divisions.

We measure Group operational risk exposure and calculate operational risk regulatory capital using the advanced measurement approach (AMA) in accordance with FINMA and international requirements.

An entity-specific AMA model has been applied for UBS Switzerland AG, while for other regulated entities the basic indicators or standardized approaches are adopted for regulatory capital in agreement with local regulators. Also, the methodology of the Group AMA is leveraged for entity-specific Internal Capital Adequacy Assessment Processes.

Currently, the model includes 16 AMA units of measure (UoM), which are aligned with our non-financial risk taxonomy as closely as possible. Full transition to the non-financial risk taxonomy is not yet implemented, but is planned by the end of December 2023 with expected FINMA approval for the Group's AMA model. Frequency and severity distributions are calibrated for each of the model's UoM. The modeled distribution functions for both frequency and severity are used to generate the annual loss distribution. The resulting 99.9% quantile of the overall annual operational risk loss distribution across all UoM determines the required regulatory capital. Currently, we do not reflect mitigation through insurance or any other risk transfer mechanism in our AMA model.

AMA model calibration and review

A key assumption when calibrating data-driven frequency and severity distributions is that historical losses form a reasonable proxy for future events. In line with regulatory expectations, the AMA methodology utilizes both historical internal losses and external losses suffered by the broader industry for model calibration purposes.

Initial model outputs driven by the loss history are reviewed and adjusted to reflect fast-changing external developments, such as new regulations, geopolitical change, volatile market and economic conditions, and internal factors (e.g., changes in business strategy and control framework enhancements). The resulting baseline data-driven frequency and severity distributions are reviewed by subject matter experts and where necessary adjusted based on a review of qualitative information about the business environment and internal control factors, as well as expert judgment, with the aim of forecasting losses.

Our model is reviewed regularly to maintain risk sensitivity and recalibrated at least annually. Any changes to regulatory capital as a result of a recalibration or methodology changes are presented to FINMA for approval prior to use for disclosure purposes.

AMA model governance

The Group- and entity-specific AMA models are subject to an independent validation performed by Model Risk Management & Control in line with the Group's model risk management framework.

Expected transition of capital regime under Basel III capital regulations

The AMA is expected to be replaced by the standardized measurement approach for regulatory capital determination purposes in line with the relevant Basel Committee for Banking Supervision Basel III capital regulations. UBS is interacting closely with the relevant Swiss authorities to discuss the implementation details and related implementation timeline.

- › Refer to "Capital planning and activities" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the development of risk-weighted assets
- › Refer to "Risk measurement" in this section for more information about our approach to model confirmation procedures
- › Refer to the "Risk factors" section of this report for more information

Capital, liquidity and funding, and balance sheet

Table of contents

| | |
|------------|--|
| 135 | Capital management |
| 135 | Capital management objectives, planning and activities |
| 136 | Swiss SRB total loss-absorbing capacity framework |
| 139 | Total loss-absorbing capacity |
| 143 | Risk-weighted assets |
| 144 | Leverage ratio denominator |
| 146 | UBS AG consolidated total loss-absorbing capacity and leverage ratio information |
| 149 | Equity attribution and return on attributed equity |
| 150 | Liquidity and funding management |
| 150 | Strategy, objectives and governance |
| 150 | Liquidity and funding stress testing |
| 151 | Funding management |
| 152 | Liquidity coverage ratio |
| 152 | Net stable funding ratio |
| 153 | Balance sheet and off-balance sheet |
| 153 | Balance sheet |
| 157 | Off-balance sheet |
| 159 | Cash flows |
| 159 | Currency management |
| 160 | UBS shares |

Capital management

Capital management objectives, planning and activities

Capital management objectives

Audited I An adequate level of common equity tier 1 (CET1) capital and total loss-absorbing capacity (TLAC) meeting both internal assessment and regulatory requirements is a prerequisite for conducting our business activities. ▲

We are therefore committed to maintaining a strong CET1 capital and TLAC position at all times, in order to meet regulatory capital requirements and our target capital ratios, and to support the growth of our businesses.

As of 31 December 2022, our CET1 capital ratio was 14.2% and our CET1 leverage ratio 4.42%, each above our capital guidance and also above the requirements for Swiss systemically relevant banks (SRBs) and the Basel Committee on Banking Supervision (the BCBS) requirements. We believe that our capital strength, consistent with our capital guidance, is a source of confidence for our stakeholders, contributes to our sound credit ratings and is one of the foundations of our success.

The BCBS announced the finalization of the Basel III framework in December 2017, and published the final rules on the minimum capital requirements for market risk from the Fundamental Review of the Trading Book (the FRTB) in January 2019. In response to COVID-19, the Group of Central Bank Governors and Heads of Supervision, which acts as the BCBS's oversight body, endorsed the deferral of the implementation date by one year, to 1 January 2023. The accompanying transitional arrangements for the output floor were also extended by one year, to 1 January 2028. We expect the Swiss regulations to come into force in 2025 and we continue to make progress on our infrastructure design and operational governance ahead of the upcoming adoption of these rules. We currently estimate that the revised Basel III framework would lead to a further net increase in risk-weighted assets (RWA) of around USD 12bn, before taking into account mitigating actions and not reflecting the impact of the output floor, which is phased in over time. Our estimate includes the finalization of the Basel III framework, as well as the FRTB, based on our current understanding of the relevant standards. It may change as a result of new or updated regulatory interpretations, appropriate conservatism in model calibration, the implementation of Basel III standards into national law, changes in business growth, market conditions and other factors. The final degree of alignment between the Swiss implementation and those in other jurisdictions, particularly those regarding the treatment of historical operational losses, remains uncertain at this stage.

- › Refer to the **"Our strategy" and "Targets, aspirations and capital guidance" sections of this report for more information about our capital and resource guidelines**
- › Refer to **"We may be unable to maintain our capital strength" in the "Risk factors" section of this report for more information about capital ratio-related risks**

Capital planning and activities

Audited I We manage our balance sheet, RWA, leverage ratio denominator (LRD) and TLAC ratio levels based on our regulatory requirements, within our internal limits and targets, and our externally provided guidance. Our strategic focus is on achieving an optimal attribution and use of financial resources between our business divisions and Group Functions, as well as between our legal entities, while remaining within the limits defined for the Group and allocated to the business divisions by the Board of Directors (the BoD). These resource allocations, in turn, affect business plans and earnings projections, which are reflected in our capital plans.

The annual strategic planning process includes a capital-planning component that is key in defining our capital targets. It is based on an attribution of Group RWA and LRD internal limits to the business divisions.

Limits and targets are established at the Group and business division levels, and are approved by the BoD at least annually. In the target-setting process, we take into account the current and potential future TLAC requirements, our aggregate risk exposure in terms of capital-at-risk, the assessment by rating agencies, comparisons with peers and the effect of expected accounting policy changes. ▲

Monitoring is based on these internal limits and targets and provides indications if any changes are required. Any breach of limits in place triggers a series of required remediating actions.

Group Treasury plans for and monitors consolidated TLAC information on an ongoing basis, reflecting business and legal entity requirements, as well as regulatory developments in capital regulations. In addition, capital planning and monitoring are performed at the legal entity level for our significant subsidiaries and sub-groups that are subject to prudential supervision and must meet capital and other supervisory requirements.

- › Refer to **"Capital and capital ratios of our significant regulated subsidiaries" in this section for more information**
- › Refer to **"Statistical measures" in the "Risk management and control" section of this report for more information about capital-at-risk**

Swiss SRB total loss-absorbing capacity framework

The disclosures in this section are provided for UBS Group AG on a consolidated basis and focus on key developments during the reporting period and information in accordance with the Basel III framework, as applicable to Swiss SRBs.

Additional regulatory disclosures for UBS Group AG on a consolidated basis are provided in our 31 December 2022 Pillar 3 Report. The Pillar 3 Report further includes information relating to our significant regulated subsidiaries and sub-groups (UBS AG standalone, UBS Switzerland AG standalone, UBS Europe SE consolidated and UBS Americas Holding LLC consolidated) as of 31 December 2022 and is available under "Pillar 3 disclosures" at ubs.com/investors.

Capital and other regulatory information for UBS AG consolidated in accordance with the Basel III framework, as applicable to Swiss SRBs, is provided in the combined UBS Group AG and UBS AG Annual Report 2022, available under "Annual reporting" at ubs.com/investors.

Regulatory framework

The Basel III framework came into effect in Switzerland on 1 January 2013 and is embedded in the Swiss Capital Adequacy Ordinance (the CAO). The CAO also includes the too-big-to-fail provisions applicable to Swiss SRBs, which have been fully phased-in since 1 January 2020.

Under the Swiss SRB framework, going and gone concern requirements represent the Group's TLAC requirement. TLAC encompasses regulatory capital, such as CET1, loss-absorbing additional tier 1 (AT1) and tier 2 capital instruments, and liabilities that can be written down or converted into equity in case of resolution or for the purpose of restructuring measures.

Capital and other instruments contributing to our total loss-absorbing capacity

In addition to CET1 capital, the following instruments contribute to our loss-absorbing capacity:

- loss-absorbing AT1 capital instruments (high- and low-trigger);
- loss-absorbing tier 2 capital instruments (high- and low-trigger);
- non-Basel III-compliant tier 2 capital instruments; and
- TLAC-eligible senior unsecured debt instruments.

Under the Swiss SRB rules, going concern capital includes CET1 and high-trigger loss-absorbing AT1 capital instruments. Our existing outstanding low-trigger loss-absorbing AT1 capital instruments are available to meet the going concern capital requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements.

Outstanding high- and low-trigger loss-absorbing tier 2 capital instruments, non-Basel III-compliant tier 2 capital instruments and TLAC-eligible senior unsecured debt instruments are eligible to meet gone concern requirements until one year before maturity. A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years (i.e., are in the last year of eligibility). However, once at least 75% of the gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital.

- › Refer to "Bondholder information," available at ubs.com/investors, for more information about the eligibility of capital and senior unsecured debt instruments and key features and terms and conditions of capital instruments

Total loss-absorbing capacity and leverage ratio requirements

Going concern capital requirements

Under the Swiss SRB requirements, total going concern minimum requirements for all Swiss SRBs are a capital ratio requirement of 12.86% of RWA and a leverage ratio requirement of 4.5%. In addition to these minimum requirements, an add-on reflecting the degree of systemic importance is applied, based on market share and LRD. The applicable market share add-on requirements for UBS were unchanged at 0.72% of RWA and 0.25% of LRD. The applicable LRD add-on requirements remained unchanged at 0.72% of RWA and 0.25% of LRD, as our Group LRD remained within the same add-on bucket.

On 30 September 2022, the Swiss countercyclical capital buffer was reactivated, at a maximum level of 2.5% on risk-weighted positions that are directly or indirectly backed by residential properties in Switzerland. This increased our minimum CET1 capital requirement by 27 basis points as of 31 December 2022. We also continued to apply countercyclical buffer requirements introduced in other BCBS member jurisdictions, which resulted in an additional buffer requirement of 7 basis points as of 31 December 2022. Overall, countercyclical capital buffers contributed 34 basis points to our minimum CET1 capital requirement as of 31 December 2022.

The total going concern capital requirements applicable are 14.64% of RWA (including countercyclical buffer requirements) and 5.00% of LRD. Furthermore, of the total going concern capital requirement of 14.64% of RWA, at least 10.34% must be met with CET1 capital, while a maximum of 4.3% can be met with high-trigger loss-absorbing AT1 capital instruments (including our existing outstanding low-trigger AT1 capital instruments, which qualify until their first call date as mentioned above).

Similarly, of the total going concern leverage ratio requirement of 5.00%, at least 3.5% must be met with CET1 capital, while a maximum of 1.5% can be met with high-trigger loss-absorbing AT1 capital instruments (including our existing outstanding low-trigger AT1 capital instruments, which qualify until their first call date as mentioned above).

Gone concern loss-absorbing capacity requirements

As an internationally active Swiss SRB, UBS is also subject to gone concern loss-absorbing capacity requirements. The gone concern requirements also include add-ons for market share and LRD.

Under the Swiss SRB framework, banks are eligible for a rebate on the gone concern requirement if they take actions that facilitate recovery and resolvability beyond the minimum requirements. The amount of the rebate for improved resolvability is assessed annually by the Swiss Financial Market Supervisory Authority (FINMA). Based on actions we had completed by December 2021 to improve resolvability, FINMA granted a rebate on the gone concern requirement of 65% of the aforementioned maximum rebate in the third quarter of 2022, with an effective maximum rebate of 3.56 percentage points for the RWA-based requirement and 1.25 percentage points for the LRD-based requirement as of 31 December 2022.

Our gone concern requirements are further reduced when higher quality capital instruments (CET1 capital, low-trigger loss-absorbing AT1 or certain low-trigger tier 2 capital instruments) are used to meet gone concern requirements. As of 31 December 2022, UBS used low-trigger tier 2 capital to fulfill gone concern requirements, resulting in a reduction of 0.38 percentage points for the RWA-based requirement.

From 1 January 2022 onward, the gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher quality capital instruments has been floored at 10.0% and 3.75% for the RWA- and LRD-based requirements, respectively.

In November 2022, the Swiss Federal Council adopted amendments to the Banking Act and the Banking Ordinance and both entered into force as of 1 January 2023. The amendments replace the resolvability discount on the gone concern capital requirements for systemically important banks (SIBs), including UBS, with a reduced base gone concern capital requirement. In addition, FINMA has the authority to impose a surcharge of up to 25% of the base gone concern capital requirement based on obstacles to a SIB's resolvability identified in future resolvability assessments. We currently expect that our total gone concern requirements will remain substantially unchanged in 2023 as a result of these changes.

In this report, we refer to the RWA-based gone concern requirements as gone concern loss-absorbing capacity requirements and the RWA-based gone concern ratio is referred to as the gone concern loss-absorbing capacity ratio.

The table below provides the RWA- and LRD-based requirements and information as of 31 December 2022.

Swiss SRB going and gone concern requirements and information

| As of 31.12.22 | RWA | | LRD | |
|--|--------------------------|-----------------|-------------------------|------------------|
| <i>USD m, except where indicated</i> | in % | | in % | |
| Required going concern capital | | | | |
| Total going concern capital | 14.64¹ | 46,802 | 5.00¹ | 51,423 |
| Common equity tier 1 capital | 10.34 | 33,060 | 3.50² | 35,996 |
| <i>of which: minimum capital</i> | <i>4.50</i> | <i>14,381</i> | <i>1.50</i> | <i>15,427</i> |
| <i>of which: buffer capital</i> | <i>5.50</i> | <i>17,577</i> | <i>2.00</i> | <i>20,569</i> |
| <i>of which: countercyclical buffer</i> | <i>0.34</i> | <i>1,102</i> | | |
| Maximum additional tier 1 capital | 4.30 | 13,742 | 1.50 | 15,427 |
| <i>of which: additional tier 1 capital</i> | <i>3.50</i> | <i>11,185</i> | <i>1.50</i> | <i>15,427</i> |
| <i>of which: additional tier 1 buffer capital</i> | <i>0.80</i> | <i>2,557</i> | | |
| Eligible going concern capital | | | | |
| Total going concern capital | 18.25 | 58,321 | 5.67 | 58,321 |
| Common equity tier 1 capital | 14.22 | 45,457 | 4.42 | 45,457 |
| Total loss-absorbing additional tier 1 capital³ | 4.03 | 12,864 | 1.25 | 12,864 |
| <i>of which: high-trigger loss-absorbing additional tier 1 capital</i> | <i>3.65</i> | <i>11,675</i> | <i>1.14</i> | <i>11,675</i> |
| <i>of which: low-trigger loss-absorbing additional tier 1 capital</i> | <i>0.37</i> | <i>1,189</i> | <i>0.12</i> | <i>1,189</i> |
| Required gone concern capital | | | | |
| Total gone concern loss-absorbing capacity⁴ | 10.36 | 33,105 | 3.75 | 38,567 |
| <i>of which: base requirement⁵</i> | <i>12.86</i> | <i>41,099</i> | <i>4.50</i> | <i>46,281</i> |
| <i>of which: additional requirement for market share and LRD</i> | <i>1.44</i> | <i>4,602</i> | <i>0.50</i> | <i>5,142</i> |
| <i>of which: applicable reduction on requirements</i> | <i>(3.94)</i> | <i>(12,596)</i> | <i>(1.25)</i> | <i>(12,856)</i> |
| <i>of which: rebate granted⁶</i> | <i>(3.56)</i> | <i>(11,385)</i> | <i>(1.25)</i> | <i>(12,856)</i> |
| <i>of which: reduction for usage of low-trigger tier 2 capital instruments</i> | <i>(0.38)</i> | <i>(1,211)</i> | <i>0.00</i> | <i>0</i> |
| Eligible gone concern capital | | | | |
| Total gone concern loss-absorbing capacity | 14.70 | 46,991 | 4.57 | 46,991 |
| Total tier 2 capital | 0.93 | 2,958 | 0.29 | 2,958 |
| <i>of which: low-trigger loss-absorbing tier 2 capital</i> | <i>0.76</i> | <i>2,422</i> | <i>0.24</i> | <i>2,422</i> |
| <i>of which: non-Basel III-compliant tier 2 capital</i> | <i>0.17</i> | <i>536</i> | <i>0.05</i> | <i>536</i> |
| TLAC-eligible senior unsecured debt | 13.78 | 44,033 | 4.28 | 44,033 |
| Total loss-absorbing capacity | | | | |
| Required total loss-absorbing capacity | 25.00 | 79,907 | 8.75 | 89,990 |
| Eligible total loss-absorbing capacity | 32.95 | 105,312 | 10.24 | 105,312 |
| Risk-weighted assets / leverage ratio denominator | | | | |
| Risk-weighted assets | | 319,585 | | |
| Leverage ratio denominator | | | | 1,028,461 |

1 Includes applicable add-ons of 1.44% for RWA and 0.50% for LRD. 2 Our minimum CET1 leverage ratio requirement of 3.5% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement and a 0.25% market share add-on requirement based on our Swiss credit business. 3 Includes outstanding low-trigger loss-absorbing additional tier 1 capital instruments, which are available under the Swiss systemically relevant bank framework to meet the going concern requirements until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements. 4 A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. 5 The gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher-quality capital instruments is floored at 10% and 3.75% for the RWA- and LRD-based requirements, respectively. This means that the combined reduction may not exceed 4.3 percentage points for the RWA-based requirement of 14.3% and 1.25 percentage points for the LRD-based requirement of 5.0%. 6 Based on the actions we completed up to December 2021 to improve resolvability, FINMA granted an increase in the rebate on the gone concern requirement from 55.0% to 65.0% of the maximum rebate, effective 1 July 2022, with an effective maximum rebate of 1.25 percentage points for the LRD-based requirements and – given the risk density of 35% underlying the regulatory requirements – an effective maximum rebate of 3.56 percentage points for the RWA-based requirements.

Total loss-absorbing capacity

Swiss SRB going and gone concern information

USD m, except where indicated

| | 31.12.22 | 31.12.21 |
|---|-----------|-----------|
| Eligible going concern capital | | |
| Total going concern capital | 58,321 | 60,488 |
| Total tier 1 capital | 58,321 | 60,488 |
| Common equity tier 1 capital | 45,457 | 45,281 |
| Total loss-absorbing additional tier 1 capital | 12,864 | 15,207 |
| of which: high-trigger loss-absorbing additional tier 1 capital | 11,675 | 12,783 |
| of which: low-trigger loss-absorbing additional tier 1 capital | 1,189 | 2,425 |
| Eligible gone concern capital | | |
| Total gone concern loss-absorbing capacity | 46,991 | 44,264 |
| Total tier 2 capital | 2,958 | 3,144 |
| of which: low-trigger loss-absorbing tier 2 capital | 2,422 | 2,596 |
| of which: non-Basel III-compliant tier 2 capital | 536 | 547 |
| TLAC-eligible senior unsecured debt | 44,033 | 41,120 |
| Total loss-absorbing capacity | | |
| Total loss-absorbing capacity | 105,312 | 104,752 |
| Risk-weighted assets / leverage ratio denominator | | |
| Risk-weighted assets | 319,585 | 302,209 |
| Leverage ratio denominator | 1,028,461 | 1,068,862 |
| Capital and loss-absorbing capacity ratios (%) | | |
| Going concern capital ratio | 18.2 | 20.0 |
| of which: common equity tier 1 capital ratio | 14.2 | 15.0 |
| Gone concern loss-absorbing capacity ratio | 14.7 | 14.6 |
| Total loss-absorbing capacity ratio | 33.0 | 34.7 |
| Leverage ratios (%) | | |
| Going concern leverage ratio | 5.7 | 5.7 |
| of which: common equity tier 1 leverage ratio | 4.42 | 4.24 |
| Gone concern leverage ratio | 4.6 | 4.1 |
| Total loss-absorbing capacity leverage ratio | 10.2 | 9.8 |

Audited I

Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital

| | 31.12.22 | 31.12.21 |
|---|---------------|---------------|
| USD m | | |
| Total IFRS equity | 57,218 | 61,002 |
| Equity attributable to non-controlling interests | (342) | (340) |
| Defined benefit plans, net of tax | (311) | (270) |
| Deferred tax assets recognized for tax loss carry-forwards | (4,077) | (4,565) |
| Deferred tax assets on temporary differences, excess over threshold | (64) | (49) |
| Goodwill, net of tax ¹ | (5,754) | (5,838) |
| Intangible assets, net of tax | (150) | (180) |
| Compensation-related components (not recognized in net profit) | (2,287) | (1,700) |
| Expected losses on advanced internal ratings-based portfolio less provisions | (471) | (482) |
| Unrealized (gains) / losses from cash flow hedges, net of tax | 4,234 | (628) |
| Own credit related to (gains) / losses on financial liabilities measured at fair value that existed at the balance sheet date, net of tax | (523) | 315 |
| Own credit related to (gains) / losses on derivative financial instruments that existed at the balance sheet date | (105) | (50) |
| Unrealized gains related to financial assets at fair value through OCI, net of tax | 0 | (68) |
| Prudential valuation adjustments | (201) | (167) |
| Accruals for dividends to shareholders | (1,683) | (1,700) |
| Other | (29) | 1 |
| Total common equity tier 1 capital | 45,457 | 45,281 |

¹ Includes goodwill related to significant investments in financial institutions of USD 20m as of 31 December 2022 (31 December 2021: USD 22m) presented on the balance sheet line Investments in associates.



Total loss-absorbing capacity and movement

Our total loss-absorbing capacity increased by USD 0.6bn to USD 105.3bn as of 31 December 2022.

Going concern capital and movement

Audited | Our CET1 capital mainly consists of: share capital; share premium, which primarily consists of additional paid-in capital related to shares issued; and retained earnings. A detailed reconciliation of International Financial Reporting Standards (IFRS) equity to CET1 capital is provided in the “Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital” table.

Our CET1 capital increased by USD 0.2bn to USD 45.5bn as of 31 December 2022, mainly as a result of operating profit before tax of USD 9.6bn with associated current tax expenses of USD 1.4bn, partly offset by share repurchases of USD 5.6bn under our share repurchase programs, dividend accruals of USD 1.7bn, negative foreign currency effects of USD 0.5bn and compensation- and own share-related capital components of USD 0.3bn.

› Refer to “UBS shares” in this section for more information about our share repurchase programs

Our loss-absorbing AT1 capital decreased by USD 2.3bn to USD 12.9bn, mainly driven by our announcement on 5 December 2022 that we intended to redeem an AT1 capital instrument on 31 January 2023, the first call date (ISIN CH0400441280, with a nominal amount of USD 2.0bn, issued on 31 January 2018; this instrument ceased to be eligible as AT1 capital when the call was announced in December 2022), a call of a USD 1.1bn equivalent AT1 capital instrument denominated in euro, and interest rate risk hedge, foreign currency translation and other effects. This was partly offset by two issuances of AT1 capital instruments denominated in US dollars and Swiss francs amounting to USD 1.8bn equivalent. ▲

Gone concern loss-absorbing capacity and movement

Audited | Our total gone concern loss-absorbing capacity increased by USD 2.7bn to USD 47.0bn as of 31 December 2022 and included USD 44.0bn of TLAC-eligible senior unsecured debt. ▲

The increase was mainly due to 21 issuances of TLAC-eligible senior unsecured debt instruments denominated in US dollars, euro, yen and Australian dollars amounting to USD 15.2bn, partly offset by four calls of TLAC-eligible senior unsecured debt instruments denominated in US dollars amounting to USD 6.3bn, as well as interest rate risk hedge, foreign currency translation and other effects.

Loss-absorbing capacity and leverage ratios

Our CET1 capital ratio decreased to 14.2% from 15.0%, mainly reflecting a USD 17.4bn increase in RWA.

Our CET1 leverage ratio increased to 4.42% from 4.24%, predominantly due to a USD 40.4bn decrease in the LRD.

Our gone concern loss-absorbing capacity ratio increased to 14.7% from 14.6%, due to an increase in gone concern loss-absorbing capacity of USD 2.7bn, partly offset by the aforementioned increase in RWA.

Our gone concern leverage ratio increased to 4.6% from 4.1%, driven by the aforementioned increase in gone concern loss-absorbing capacity and the aforementioned decrease in the LRD.

Swiss SRB total loss-absorbing capacity movement

USD m

| | Swiss SRB |
|--|----------------|
| Going concern capital | |
| Common equity tier 1 capital as of 31.12.21 | 45,281 |
| Operating profit before tax | 9,604 |
| Current tax (expense) / benefit | (1,448) |
| Share repurchase programs | (5,602) |
| Accruals for proposed dividends to shareholders | (1,683) |
| Foreign currency translation effects, before tax | (529) |
| Compensation- and own share-related capital components | (258) |
| Other | 93 |
| Common equity tier 1 capital as of 31.12.22 | 45,457 |
| Loss-absorbing additional tier 1 capital as of 31.12.21 | 15,207 |
| Issuance of high-trigger loss-absorbing additional tier 1 capital | 1,789 |
| Call of high-trigger loss-absorbing additional tier 1 capital ¹ | (2,000) |
| Call of low-trigger loss-absorbing additional tier 1 capital | (1,121) |
| Interest rate risk hedge, foreign currency translation and other effects | (1,011) |
| Loss-absorbing additional tier 1 capital as of 31.12.22 | 12,864 |
| Total going concern capital as of 31.12.21 | 60,488 |
| Total going concern capital as of 31.12.22 | 58,321 |
| Gone concern loss-absorbing capacity | |
| Tier 2 capital as of 31.12.21 | 3,144 |
| Interest rate risk hedge, foreign currency translation and other effects | (185) |
| Tier 2 capital as of 31.12.22 | 2,958 |
| TLAC-eligible senior unsecured debt as of 31.12.21 | 41,120 |
| Issuance of TLAC-eligible senior unsecured debt | 15,237 |
| Call of TLAC-eligible senior unsecured debt | (6,250) |
| Interest rate risk hedge, foreign currency translation and other effects | (6,075) |
| TLAC-eligible senior unsecured debt as of 31.12.22 | 44,033 |
| Total gone concern loss-absorbing capacity as of 31.12.21 | 44,264 |
| Total gone concern loss-absorbing capacity as of 31.12.22 | 46,991 |
| Total loss-absorbing capacity | |
| Total loss-absorbing capacity as of 31.12.21 | 104,752 |
| Total loss-absorbing capacity as of 31.12.22 | 105,312 |

¹ On 5 December 2022, we announced our intention to redeem an AT1 capital instrument on 31 January 2023, the first call date (ISIN CH0400441280). This instrument ceased to be eligible as AT1 capital when the call was announced.

Additional information

Active management of sensitivity to foreign exchange movements

Group Treasury is mandated to minimize adverse effects from changes in foreign currency rates on our CET1 capital and / or CET1 capital ratio. A significant portion of our CET1 capital and RWA is denominated in Swiss francs, euro, pounds sterling and other currencies. In order to hedge the CET1 capital ratio, CET1 capital needs to have foreign currency exposure, leading to foreign currency rates sensitivity of CET1 capital.

Consequently, it is not possible to simultaneously fully hedge CET1 capital and the CET1 capital ratio. As the proportion of RWA denominated in currencies other than the US dollar outweighs CET1 capital in such currencies, a significant appreciation of the US dollar against such currencies could benefit our capital ratios, while a significant depreciation of the US dollar against these currencies could adversely affect our capital ratios.

The Group Asset and Liability Committee, a committee of the Group Executive Board, has mandated Group Treasury to adjust the currency mix of CET1 capital, within limits set by the BoD, to balance the effect of foreign exchange movements on CET1 capital and the CET1 capital ratio. Limits are in place for the sensitivity of both CET1 capital and the CET1 capital ratio to an appreciation or depreciation of 10% in the value of the US dollar against other currencies.

Sensitivity to currency movements

Risk-weighted assets

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our RWA by USD 13bn and our CET1 capital by USD 1.4bn as of 31 December 2022 (31 December 2021: USD 13bn and USD 1.4bn, respectively) and decreased our CET1 capital ratio 13 basis points (31 December 2021: 15 basis points).

Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have decreased our RWA by USD 12bn and our CET1 capital by USD 1.3bn as of 31 December 2022 (31 December 2021: USD 11bn and USD 1.3bn, respectively) and increased our CET1 capital ratio 13 basis points (31 December 2021: 14 basis points).

Leverage ratio denominator

Our leverage ratio is also sensitive to foreign exchange movements as a result of the currency mix of our capital and LRD. When adjusting the currency mix in capital, potential effects on the going concern leverage ratio are taken into account and the sensitivity of the going concern leverage ratio to an appreciation or depreciation of 10% in the value of the US dollar against other currencies is actively monitored.

We estimate that a 10% depreciation of the US dollar against other currencies would have increased our LRD by USD 63bn as of 31 December 2022 (31 December 2021: USD 63bn) and decreased our Swiss SRB going concern leverage ratio 17 basis points (31 December 2021: 15 basis points). Conversely, we estimate that a 10% appreciation of the US dollar against other currencies would have decreased our LRD by USD 57bn (31 December 2021: USD 57bn) and increased our Swiss SRB going concern leverage ratio 17 basis points (31 December 2021: 16 basis points).

The aforementioned sensitivities do not consider foreign currency translation effects related to defined benefit plans other than those related to the currency translation of the net equity of foreign operations.

Estimated effect on capital from litigation, regulatory and similar matters subject to provisions and contingent liabilities

We have estimated the loss in capital that we could incur as a result of the risks associated with the matters described in "Note 17 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report. We have employed for this purpose the advanced measurement approach (AMA) methodology that we use when determining the capital requirements associated with operational risks, based on a 99.9% confidence level over a 12-month horizon. The methodology takes into consideration UBS and industry experience for the AMA operational risk categories to which those matters correspond, as well as the external environment affecting risks of these types, in isolation from other areas. On this basis, we estimate the maximum loss in capital that we could incur over a 12-month period as a result of our risks associated with these operational risk categories at USD 4.4bn as of 31 December 2022, unchanged compared with the prior year-end. This estimate is not related to and does not take into account any provisions recognized for any of these matters and does not constitute a subjective assessment of our actual exposure in any of these matters.

- › Refer to "Non-financial risk" in the "Risk management and control" section of this report for more information
- › Refer to "Note 17 Provisions and contingent liabilities" in the "Consolidated financial statements" section of this report for more information

Capital and capital ratios of our significant regulated subsidiaries

UBS Group AG is a holding company conducting substantially all operations through UBS AG and subsidiaries thereof. UBS Group AG and UBS AG have contributed a significant portion of their respective capital to, and provided substantial liquidity to, subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. Regulatory capital components and capital ratios of our significant regulated subsidiaries determined under the regulatory framework of each subsidiary's home jurisdiction are provided in the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report. Supervisory authorities generally have discretion to impose higher requirements, or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, and may limit the ability of the entity to engage in new activities or take capital actions based on the results of those tests.

- › Refer to the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more capital and other regulatory information about our significant regulated subsidiaries and sub-groups

Joint liability of UBS AG and UBS Switzerland AG

In June 2015, upon the transfer of the Personal & Corporate Banking and Global Wealth Management businesses booked in Switzerland from UBS AG to UBS Switzerland AG, UBS AG and UBS Switzerland AG assumed joint liability for obligations transferred to UBS Switzerland AG and existing at UBS AG, respectively. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

The joint liability amounts have declined as obligations matured, terminated or were novated following the transfer date. As of 31 December 2022, the liability of UBS Switzerland AG amounted to CHF 4.0bn (USD 4.3bn), a decrease of CHF 1.2bn (USD 1.4bn) compared with 31 December 2021. The respective liability of UBS AG has been substantially extinguished.

Risk-weighted assets

RWA development in 2022

During 2022, RWA increased by USD 17.4bn to USD 319.6bn, primarily driven by increases of USD 10.4bn in credit and counterparty credit risk RWA, USD 4.7bn in operational risk RWA, and USD 2.4bn in market risk RWA.

- Refer to the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about RWA movements and definitions of RWA movement key drivers

Movement in risk-weighted assets by key driver

| <i>USD bn</i> | RWA as of 31.12.21 | Currency effects | Methodology and policy changes | Model updates / changes | Regulatory add-ons | Asset size and other ¹ | RWA as of 31.12.22 |
|--|--------------------|------------------|--------------------------------|-------------------------|--------------------|-----------------------------------|--------------------|
| Credit and counterparty credit risk ² | 190.1 | (3.6) | 0.1 | 6.7 | 0.3 | 6.9 | 200.5 |
| Non-counterparty-related risk ³ | 24.3 | (0.2) | | | | 0.1 | 24.2 |
| Market risk | 11.1 | | 1.2 | (2.4) | 2.3 | 1.3 | 13.5 |
| Operational risk | 76.7 | | | 4.6 | | | 81.4 |
| Total | 302.2 | (3.8) | 1.2 | 9.0 | 2.6 | 8.3 | 319.6 |

¹ Includes the Pillar 3 categories "Asset size," "Credit quality of counterparties," "Acquisitions and disposals" and "Other." For more information, refer to the 31 December 2022 Pillar 3 report, available under "Pillar 3 disclosures" at ubs.com/investors. ² Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. ³ Non-counterparty-related risk includes deferred tax assets recognized for temporary differences, property, equipment, software and other items.

Credit and counterparty credit risk

Credit and counterparty credit risk RWA increased by USD 10.4bn to USD 200.5bn as of 31 December 2022. This increase was mainly driven by model updates of USD 6.7bn and asset size increases of USD 6.4bn, partly offset by currency effects of USD 3.6bn. Model updates resulted in an increase of USD 6.7bn, mainly relating to structured margin loans and similar products in Global Wealth Management, prime brokerage clients, private equity and hedge fund financing trades and structured margin loans in the Investment Bank, and mortgage loans in Personal & Corporate Banking.

Asset size increased by USD 6.4bn, mainly due to higher RWA from loans and loan commitments in Global Wealth Management and, to a lesser extent, in Personal & Corporate Banking, partly offset by lower RWA from loans and loan commitments in the Investment Bank.

Movement in credit and counterparty credit risk RWA by key driver¹

| <i>USD bn</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Group |
|---|--------------------------|------------------------------|------------------|-----------------|-----------------|--------------|
| Total credit and counterparty credit risk RWA as of 31.12.21 | 56.9 | 63.0 | 3.2 | 60.5 | 6.4 | 190.1 |
| Asset size | 8.2 | 2.9 | (0.1) | (4.9) | 0.3 | 6.4 |
| Asset quality | 0.3 | (1.5) | 0.0 | 0.0 | 0.4 | (0.7) |
| Model updates | 2.1 | 1.3 | 0.0 | 3.3 | 0.0 | 6.7 |
| Methodology and policy changes | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Regulatory add-ons | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 0.3 |
| Acquisitions and disposals | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 1.2 |
| Foreign exchange movements | (0.5) | (0.9) | (0.1) | (1.5) | (0.6) | (3.6) |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total movement | 11.5 | 1.9 | (0.2) | (2.8) | 0.1 | 10.4 |
| Total credit and counterparty credit risk RWA as of 31.12.22 | 68.4 | 64.9 | 3.0 | 57.7 | 6.5 | 200.5 |

¹ Refer to the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for the definitions of credit and counterparty credit risk RWA movement categories.

- Refer to the "Risk management and control" section of this report and the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about credit and counterparty credit risk developments

Market risk

Market risk RWA increased by USD 2.4bn to USD 13.5bn as of 31 December 2022, driven by an increase of USD 2.3bn in regulatory add-ons, reflecting updates from the monthly risks-not-in-VaR assessment and an increase of USD 1.3bn in asset size and other movements related to higher average regulatory and stressed value-at-risk levels in the Investment Bank's Global Markets business on the back of heightened market volatility in the first half of 2022. These increases were partly offset by decreases of USD 2.4bn from changes to the value-at-risk (VaR) model, and such decreases were partly offset by USD 1.2bn arising from the introduction of a FINMA-agreed temporary measure to offset a VaR-model-change-related RWA decrease that went live in the fourth quarter of 2022. We are in discussions with FINMA regarding material updates to the VaR model in 2023, which would replace the aforementioned temporary measure and the currently applied add-on related to time decay.

- Refer to the "Risk management and control" section of this report and the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information about market risk developments

Operational risk

Operational risk RWA increased by USD 4.7bn to USD 81.4bn as of 31 December 2022. Following a review with FINMA regarding the French cross-border matter, we reflected additional operational risk RWA of USD 4.1bn in the first half of 2022. In the fourth quarter of 2022, we reflected an increase of USD 0.5bn driven by the annual recalibration of the advanced measurement approach (AMA) model used for the calculation of operational risk capital.

- › Refer to “Advanced measurement approach model” in the “Risk management and control” section of this report for more information about the AMA model

Outlook

We expect that regulatory-driven updates to models will result in an RWA increase of around USD 4bn in 2023. The extent and timing of RWA changes may vary as model updates are completed and receive regulatory approval, along with changes in the composition of the relevant portfolios. In addition, business growth and changes in market factors are expected to increase RWA at the beginning of 2023, following a period of lower levels of client activity and market volatility toward the end of the fourth quarter of 2022.

- › Refer to the “Regulatory and legal developments” section of this report for more information

Risk-weighted assets by business division and Group Functions

| <i>USD bn</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total RWA |
|--|--------------------------|------------------------------|----------------------|-----------------|-----------------|--------------|
| | | | 31.12.22 | | | |
| Credit and counterparty credit risk ¹ | 68.4 | 64.9 | 3.0 | 57.7 | 6.5 | 200.5 |
| Non-counterparty-related risk ² | 5.9 | 1.9 | 0.6 | 3.7 | 12.1 | 24.2 |
| Market risk | 1.6 | 0.0 | | 10.1 | 1.8 | 13.5 |
| Operational risk | 37.6 | 9.1 | 3.2 | 21.3 | 10.1 | 81.4 |
| Total | 113.5 | 75.9 | 6.7 | 92.8 | 30.6 | 319.6 |
| | | | 31.12.21 | | | |
| Credit and counterparty credit risk ¹ | 56.9 | 63.0 | 3.2 | 60.5 | 6.4 | 190.1 |
| Non-counterparty-related risk ² | 6.2 | 2.0 | 0.6 | 3.5 | 12.0 | 24.3 |
| Market risk | 1.6 | 0.0 | | 8.1 | 1.5 | 11.1 |
| Operational risk | 35.2 | 8.1 | 3.0 | 20.2 | 10.3 | 76.7 |
| Total | 99.8 | 73.2 | 6.9 | 92.2 | 30.1 | 302.2 |
| | | | 31.12.22 vs 31.12.21 | | | |
| Credit and counterparty credit risk ¹ | 11.5 | 1.9 | (0.2) | (2.8) | 0.1 | 10.4 |
| Non-counterparty-related risk ² | (0.3) | (0.1) | 0.0 | 0.2 | 0.2 | 0.0 |
| Market risk | 0.0 | 0.0 | | 2.1 | 0.3 | 2.4 |
| Operational risk | 2.5 | 1.1 | 0.1 | 1.1 | (0.2) | 4.6 |
| Total | 13.6 | 2.8 | (0.1) | 0.6 | 0.4 | 17.4 |

¹ Includes settlement risk, credit valuation adjustments, equity exposures in the banking book, investments in funds and securitization exposures in the banking book. ² Non-counterparty-related risk includes deferred tax assets recognized for temporary differences (31 December 2022: USD 11.4bn; 31 December 2021: USD 11.4bn), as well as property, equipment, software and other items (31 December 2022: USD 12.9bn; 31 December 2021: USD 12.9bn).

Leverage ratio denominator

The LRD decreased by USD 40.4bn to USD 1,028.5bn as of 31 December 2022, driven by currency effects of USD 24.5bn and a USD 15.9bn decrease due to asset size and other movements.

Movement in leverage ratio denominator by key driver

| <i>USD bn</i> | LRD as of 31.12.21 | Currency effects | Asset size and other | LRD as of 31.12.22 |
|---|--------------------|------------------|----------------------|--------------------|
| On-balance sheet exposures (excluding derivatives and securities financing transactions) ¹ | 847.4 | (17.3) | (14.1) | 816.0 |
| Derivatives | 90.9 | (3.5) | 2.9 | 90.3 |
| Securities financing transactions | 109.2 | (3.1) | (7.4) | 98.6 |
| Off-balance sheet items | 32.8 | (0.5) | 2.2 | 34.4 |
| Deduction items | (11.5) | 0.1 | 0.6 | (10.8) |
| Total | 1,068.9 | (24.5) | (15.9) | 1,028.5 |

¹ The exposures exclude derivative financial instruments, cash collateral receivables on derivative instruments, receivables from securities financing transactions, and margin loans, as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to securities financing transactions. These exposures are presented separately under Derivatives and Securities financing transactions in this table.

The LRD movements described below exclude currency effects.

On-balance sheet exposures (excluding derivatives and securities financing transactions) decreased by USD 14.1bn, mainly driven by lower trading portfolio assets in the Investment Bank, lower central bank balances, and a decrease in lending assets, mainly in Global Wealth Management, partly offset by purchases of high-quality liquid asset securities.

Derivatives increased by USD 2.9bn, primarily reflecting market-driven movements, partly offset by lower client volumes, in the Investment Bank.

Securities financing transactions decreased by USD 7.4bn, mainly due to lower client activity levels and lower brokerage receivables in the Investment Bank, as well as trade roll-offs in Group Treasury.

Off-balance sheet items increased by USD 2.2bn, mainly driven by higher unutilized credit lines in Global Wealth Management, and an increase in forward starting reverse repurchase agreements in Group Treasury.

► Refer to "Balance sheet and off-balance sheet" in this section for more information about balance sheet movements

Leverage ratio denominator by business division and Group Functions

| USD bn | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|--|--------------------------|------------------------------|------------------|-----------------|-----------------|----------------|
| | 31.12.22 | | | | | |
| Total IFRS assets | 388.5 | 235.2 | 17.3 | 391.3 | 71.9 | 1,104.4 |
| Difference in scope of consolidation ¹ | 0.0 | 0.0 | (13.2) | (0.1) | 0.0 | (13.3) |
| Less: derivatives and securities financing transactions ² | (23.7) | (11.9) | (0.1) | (201.7) | (37.7) | (275.0) |
| On-balance sheet exposures | 364.8 | 223.4 | 4.0 | 189.5 | 34.2 | 816.0 |
| Derivatives | 5.4 | 1.5 | 0.0 | 80.0 | 3.3 | 90.3 |
| Securities financing transactions | 20.5 | 10.8 | 0.1 | 40.4 | 26.8 | 98.6 |
| Off-balance sheet items | 8.8 | 16.6 | | 6.9 | 2.1 | 34.4 |
| Items deducted from Swiss SRB tier 1 capital | (5.2) | (0.2) | (1.2) | (0.4) | (3.9) | (10.8) |
| Total | 394.4 | 252.1 | 2.9 | 316.6 | 62.6 | 1,028.5 |
| 31.12.21 | | | | | | |
| Total IFRS assets | 395.2 | 225.4 | 25.6 | 346.4 | 124.5 | 1,117.2 |
| Difference in scope of consolidation ¹ | 0.0 | 0.0 | (21.5) | (0.1) | 0.0 | (21.6) |
| Less: derivatives and securities financing transactions ² | (25.9) | (11.8) | (0.1) | (159.2) | (51.2) | (248.2) |
| On-balance sheet exposures | 369.3 | 213.6 | 4.1 | 187.1 | 73.3 | 847.4 |
| Derivatives | 5.8 | 1.4 | 0.0 | 79.0 | 4.7 | 90.9 |
| Securities financing transactions | 22.6 | 10.9 | 0.0 | 45.7 | 29.9 | 109.2 |
| Off-balance sheet items | 7.2 | 17.5 | 0.0 | 7.6 | 0.5 | 32.8 |
| Items deducted from Swiss SRB tier 1 capital | (5.3) | (0.2) | (1.2) | (0.3) | (4.4) | (11.5) |
| Total | 399.6 | 243.2 | 2.9 | 319.2 | 104.0 | 1,068.9 |
| 31.12.22 vs 31.12.21 | | | | | | |
| Total IFRS assets | (6.7) | 9.9 | (8.3) | 44.9 | (52.6) | (12.8) |
| Difference in scope of consolidation ¹ | 0.0 | 0.0 | 8.3 | 0.0 | 0.0 | 8.3 |
| Less: derivatives and securities financing transactions ² | 2.2 | (0.1) | 0.0 | (42.5) | 13.5 | (26.9) |
| On-balance sheet exposures | (4.5) | 9.8 | (0.1) | 2.4 | (39.1) | (31.4) |
| Derivatives | (0.4) | 0.1 | 0.0 | 1.0 | (1.3) | (0.7) |
| Securities financing transactions | (2.1) | (0.1) | 0.0 | (5.3) | (3.1) | (10.6) |
| Off-balance sheet items | 1.6 | (0.9) | 0.0 | (0.7) | 1.5 | 1.6 |
| Items deducted from Swiss SRB tier 1 capital | 0.1 | 0.0 | 0.0 | (0.1) | 0.6 | 0.6 |
| Total | (5.2) | 8.8 | 0.0 | (2.6) | (41.4) | (40.4) |

¹ Represents the difference between the IFRS and the regulatory scope of consolidation, which is the applicable scope for the LRD calculation. ² The exposures consist of derivative financial instruments, cash collateral receivables on derivative instruments, receivables from securities financing transactions, and margin loans, as well as prime brokerage receivables and financial assets at fair value not held for trading, both related to securities financing transactions, all of which are in accordance with the regulatory scope of consolidation. These exposures are presented separately under Derivatives and Securities financing transactions in this table.

UBS AG consolidated total loss-absorbing capacity and leverage ratio information

Going and gone concern requirements and information

UBS is considered an SRB under Swiss banking law and, on a consolidated basis, both UBS Group AG and UBS AG are required to comply with regulations based on the Basel III framework as applicable for Swiss SRBs.

The Swiss SRB framework and requirements applicable to UBS AG consolidated are consistent with those applicable to UBS Group AG consolidated and are described in the "Capital, liquidity and funding, and balance sheet" section of this report.

› Refer to "Regulatory framework" in this section for more information about total loss-absorbing capacity, leverage ratio requirements and gone concern rebate

UBS AG is subject to going and gone concern requirements on a standalone basis. Capital and other regulatory information for UBS AG standalone is provided under "Holding company and significant regulated subsidiaries and sub-groups" at ubs.com/investors and in the 31 December 2022 Pillar 3 Report available under "Pillar 3 disclosures" at ubs.com/investors.

The table below provides the RWA- and LRD-based requirements and information as of 31 December 2022 for UBS AG consolidated.

Swiss SRB going and gone concern requirements and information

| As of 31.12.22 | RWA | | LRD | |
|---|--------------------------|----------------|-------------------------|----------------|
| USD m, except where indicated | in % | | in % | |
| Required going concern capital | | | | |
| Total going concern capital | 14.64¹ | 46,545 | 5.00¹ | 51,478 |
| Common equity tier 1 capital | 10.34 | 32,878 | 3.50² | 36,035 |
| of which: minimum capital | 4.50 | 14,302 | 1.50 | 15,443 |
| of which: buffer capital | 5.50 | 17,480 | 2.00 | 20,591 |
| of which: countercyclical buffer | 0.34 | 1,096 | | |
| Maximum additional tier 1 capital | 4.30 | 13,666 | 1.50 | 15,443 |
| of which: additional tier 1 capital | 3.50 | 11,124 | 1.50 | 15,443 |
| of which: additional tier 1 buffer capital | 0.80 | 2,543 | | |
| Eligible going concern capital | | | | |
| Total going concern capital | 17.23 | 54,770 | 5.32 | 54,770 |
| Common equity tier 1 capital | 13.51 | 42,929 | 4.17 | 42,929 |
| Total loss-absorbing additional tier 1 capital | 3.73 | 11,841 | 1.15 | 11,841 |
| of which: high-trigger loss-absorbing additional tier 1 capital | 3.35 | 10,654 | 1.03 | 10,654 |
| of which: low-trigger loss-absorbing additional tier 1 capital ³ | 0.37 | 1,187 | 0.12 | 1,187 |
| Required gone concern capital | | | | |
| Total gone concern loss-absorbing capacity⁴ | 10.36 | 32,922 | 3.75 | 38,609 |
| of which: base requirement ⁵ | 12.86 | 40,872 | 4.50 | 46,330 |
| of which: additional requirement for market share and LRD | 1.44 | 4,577 | 0.50 | 5,148 |
| of which: applicable reduction on requirements | (3.94) | (12,527) | (1.25) | (12,870) |
| of which: rebate granted ⁶ | (3.56) | (11,322) | (1.25) | (12,870) |
| of which: reduction for usage of low-trigger tier 2 capital instruments | (0.38) | (1,204) | 0.00 | 0 |
| Eligible gone concern capital | | | | |
| Total gone concern loss-absorbing capacity | 14.79 | 46,991 | 4.56 | 46,991 |
| Total tier 2 capital | 0.93 | 2,958 | 0.29 | 2,958 |
| of which: low-trigger loss-absorbing tier 2 capital | 0.76 | 2,422 | 0.24 | 2,422 |
| of which: non-Basel III-compliant tier 2 capital | 0.17 | 536 | 0.05 | 536 |
| TLAC-eligible senior unsecured debt | 13.85 | 44,033 | 4.28 | 44,033 |
| Total loss-absorbing capacity | | | | |
| Required total loss-absorbing capacity | 25.00 | 79,467 | 8.75 | 90,087 |
| Eligible total loss-absorbing capacity | 32.02 | 101,761 | 9.88 | 101,761 |
| Risk-weighted assets / leverage ratio denominator | | | | |
| Risk-weighted assets | | 317,823 | | |
| Leverage ratio denominator | | | | 1,029,561 |

¹ Includes applicable add-ons of 1.44% for RWA and 0.50% for leverage ratio denominator LRD. ² Our minimum CET1 leverage ratio requirement of 3.5% consists of a 1.5% base requirement, a 1.5% base buffer capital requirement, a 0.25% LRD add-on requirement and a 0.25% market share add-on requirement based on our Swiss credit business. ³ Existing outstanding low-trigger AT1 capital instruments qualify as going concern capital at the UBS AG consolidated level, as agreed with FINMA, until their first call date. As of their first call date, these instruments are eligible to meet the gone concern requirements. ⁴ A maximum of 25% of the gone concern requirements can be met with instruments that have a remaining maturity of between one and two years. Once at least 75% of the minimum gone concern requirement has been met with instruments that have a remaining maturity of greater than two years, all instruments that have a remaining maturity of between one and two years remain eligible to be included in the total gone concern capital. ⁵ The gone concern requirement after the application of the rebate for resolvability measures and the reduction for the use of higher-quality capital instruments is floored at 10% and 3.75% for the RWA- and LRD-based requirements, respectively. This means that the combined reduction may not exceed 4.3 percentage points for the RWA-based requirement of 14.3% and 1.25 percentage points for the LRD-based requirement of 5.0%. ⁶ Based on the actions we completed up to December 2021 to improve resolvability, FINMA granted an increase in the rebate on the gone concern requirement from 55.0% to 65.0% of the maximum rebate, effective from 1 July 2022, with an effective maximum rebate of 1.25 percentage points for the LRD-based requirements and – given the risk density of 35% underlying the regulatory requirements – an effective maximum rebate of 3.56 percentage points for the RWA-based requirements.

Swiss SRB going and gone concern information

| <i>USD m, except where indicated</i> | 31.12.22 | 31.12.21 |
|--|-----------|-----------|
| Eligible going concern capital | | |
| Total going concern capital | 54,770 | 55,434 |
| Total tier 1 capital | 54,770 | 55,434 |
| Common equity tier 1 capital | 42,929 | 41,594 |
| Total loss-absorbing additional tier 1 capital | 11,841 | 13,840 |
| <i>of which: high-trigger loss-absorbing additional tier 1 capital</i> | 10,654 | 11,414 |
| <i>of which: low-trigger loss-absorbing additional tier 1 capital</i> | 1,187 | 2,426 |
| Eligible gone concern capital | | |
| Total gone concern loss-absorbing capacity | 46,991 | 44,264 |
| Total tier 2 capital | 2,958 | 3,144 |
| <i>of which: low-trigger loss-absorbing tier 2 capital</i> | 2,422 | 2,596 |
| <i>of which: non-Basel III-compliant tier 2 capital</i> | 536 | 547 |
| TLAC-eligible senior unsecured debt | 44,033 | 41,120 |
| Total loss-absorbing capacity | | |
| Total loss-absorbing capacity | 101,761 | 99,698 |
| Risk-weighted assets / leverage ratio denominator | | |
| Risk-weighted assets | 317,823 | 299,005 |
| Leverage ratio denominator | 1,029,561 | 1,067,679 |
| Capital and loss-absorbing capacity ratios (%) | | |
| Going concern capital ratio | 17.2 | 18.5 |
| <i>of which: common equity tier 1 capital ratio</i> | 13.5 | 13.9 |
| Gone concern loss-absorbing capacity ratio | 14.8 | 14.8 |
| Total loss-absorbing capacity ratio | 32.0 | 33.3 |
| Leverage ratios (%) | | |
| Going concern leverage ratio | 5.3 | 5.2 |
| <i>of which: common equity tier 1 leverage ratio</i> | 4.17 | 3.90 |
| Gone concern leverage ratio | 4.6 | 4.1 |
| Total loss-absorbing capacity leverage ratio | 9.9 | 9.3 |

UBS Group AG consolidated vs UBS AG consolidated loss-absorbing capacity and leverage ratio information

The going concern capital of UBS AG consolidated was USD 3.6bn lower than the going concern capital of UBS Group AG consolidated as of 31 December 2022, reflecting lower CET1 capital of USD 2.5bn and lower going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.0bn.

The aforementioned difference in CET1 capital was primarily due to higher UBS AG consolidated accruals for dividends and USD 0.3bn lower UBS AG consolidated International Financial Reporting Standards equity, as well as a higher capital deduction at the UBS AG consolidated level related to deferred tax assets on temporary differences. The aforementioned factors were partly offset by compensation-related regulatory capital accruals at the UBS Group AG consolidated level.

The going concern loss-absorbing AT1 capital of UBS AG consolidated was USD 1.0bn lower than that of UBS Group AG consolidated as of 31 December 2022, mainly reflecting deferred contingent capital plan awards granted at Group level to eligible employees for the performance years 2017 to 2021, partly offset by four loss-absorbing AT1 capital instruments on lent by UBS Group AG to UBS AG.

Differences in capital between UBS Group AG consolidated and UBS AG consolidated related to employee compensation plans will reverse to the extent underlying services are performed by employees of, and are consequently charged to, UBS AG and its subsidiaries. Such reversal generally occurs over the service period of the employee compensation plans.

The leverage ratio framework for UBS AG consolidated is consistent with that of UBS Group AG consolidated. As of 31 December 2022, the going concern leverage ratio of UBS AG consolidated was 0.4 percentage points lower than that of UBS Group AG consolidated, mainly because the going concern capital of UBS AG consolidated was USD 3.6bn lower.

Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital (UBS Group AG vs UBS AG consolidated)

As of 31.12.22

| <i>USD m</i> | UBS Group AG (consolidated) | UBS AG (consolidated) | Difference |
|---|--------------------------------|--------------------------|--------------|
| Total IFRS equity | 57,218 | 56,940 | 278 |
| Equity attributable to non-controlling interests | (342) | (342) | |
| Defined benefit plans, net of tax | (311) | (311) | |
| Deferred tax assets recognized for tax loss carry-forwards | (4,077) | (4,077) | |
| Deferred tax assets on temporary differences, excess over threshold | (64) | (262) | 198 |
| Goodwill, net of tax | (5,754) | (5,754) | |
| Intangible assets, net of tax | (150) | (150) | |
| Compensation-related components (not recognized in net profit) | (2,287) | | (2,287) |
| Expected losses on advanced internal ratings-based portfolio less provisions | (471) | (471) | |
| Unrealized (gains) / losses from cash flow hedges, net of tax | 4,234 | 4,234 | |
| Own credit related to (gains) / losses on financial liabilities measured at fair value that existed at the balance sheet date, net of tax | (523) | (523) | |
| Own credit related to (gains) / losses on derivative financial instruments that existed at the balance sheet date | (105) | (105) | |
| Unrealized gains related to financial assets at fair value through OCI, net of tax | 0 | 0 | |
| Prudential valuation adjustments | (201) | (201) | |
| Accruals for dividends to shareholders | (1,683) | (6,000) | 4,317 |
| Other | (29) | (51) | 22 |
| Total common equity tier 1 capital | 45,457 | 42,929 | 2,528 |



Swiss SRB going and gone concern information (UBS Group AG vs UBS AG consolidated)

As of 31.12.22

| <i>USD m, except where indicated</i> | UBS Group AG (consolidated) | UBS AG (consolidated) | Difference |
|--|--------------------------------|--------------------------|------------|
| Eligible going concern capital | | | |
| Total going concern capital | 58,321 | 54,770 | 3,551 |
| Total tier 1 capital | 58,321 | 54,770 | 3,551 |
| Common equity tier 1 capital | 45,457 | 42,929 | 2,528 |
| Total loss-absorbing additional tier 1 capital | 12,864 | 11,841 | 1,023 |
| <i>of which: high-trigger loss-absorbing additional tier 1 capital</i> | 11,675 | 10,654 | 1,021 |
| <i>of which: low-trigger loss-absorbing additional tier 1 capital</i> | 1,189 | 1,187 | 2 |
| Eligible gone concern capital | | | |
| Total gone concern loss-absorbing capacity | 46,991 | 46,991 | 0 |
| Total tier 2 capital | 2,958 | 2,958 | 0 |
| <i>of which: low-trigger loss-absorbing tier 2 capital</i> | 2,422 | 2,422 | 0 |
| <i>of which: non-Basel III-compliant tier 2 capital</i> | 536 | 536 | 0 |
| TLAC-eligible senior unsecured debt | 44,033 | 44,033 | 0 |
| Total loss-absorbing capacity | 105,312 | 101,761 | 3,551 |
| Risk-weighted assets / leverage ratio denominator | | | |
| Risk-weighted assets | 319,585 | 317,823 | 1,762 |
| Leverage ratio denominator | 1,028,461 | 1,029,561 | (1,100) |
| Capital and loss-absorbing capacity ratios (%) | | | |
| Going concern capital ratio | 18.2 | 17.2 | 1.0 |
| <i>of which: common equity tier 1 capital ratio</i> | 14.2 | 13.5 | 0.7 |
| Gone concern loss-absorbing capacity ratio | 14.7 | 14.8 | (0.1) |
| Total loss-absorbing capacity ratio | 33.0 | 32.0 | 0.9 |
| Leverage ratios (%) | | | |
| Going concern leverage ratio | 5.7 | 5.3 | 0.4 |
| <i>of which: common equity tier 1 leverage ratio</i> | 4.42 | 4.17 | 0.25 |
| Gone concern leverage ratio | 4.6 | 4.6 | 0.0 |
| Total loss-absorbing capacity leverage ratio | 10.2 | 9.9 | 0.4 |

Equity attribution and return on attributed equity

Under our equity attribution framework, tangible equity is attributed based on a weighting of 50% each for average risk-weighted assets (RWA) and average leverage ratio denominator (LRD), which both include resource allocations from Group Functions to the business divisions (the BDs). Average RWA and LRD are converted to common equity tier 1 (CET1) capital equivalents using capital ratios of 12.5% and 3.75%, respectively. If the attributed tangible equity calculated under the weighted-driver approach is less than the CET1 capital equivalent of risk-based capital (RBC) for any BD, the CET1 capital equivalent of RBC is used as a floor for that BD.

In addition to tangible equity, we allocate equity to the BDs to support goodwill and intangible assets.

Furthermore, we allocate to the BDs attributed equity related to certain CET1 deduction items, such as compensation-related components and expected losses on the advanced internal ratings-based portfolio less provisions.

We attribute all remaining Basel III capital deduction items to Group Functions. These items include deferred tax assets (DTAs) recognized for tax loss carry-forwards, DTAs on temporary differences in excess of the threshold, accruals for shareholder returns, and unrealized gains / losses from cash flow hedges.

› Refer to “Balance sheet and off-balance sheet” in this section for more information about movements in equity attributable to shareholders

Average attributed equity

| USD bn | For the year ended | | |
|--|--------------------|-------------|-------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Global Wealth Management | 20.0 | 18.8 | 17.1 |
| Personal & Corporate Banking | 9.3 | 9.2 | 8.9 |
| Asset Management | 1.7 | 2.0 | 2.0 |
| Investment Bank | 13.0 | 13.0 | 12.6 |
| Group Functions | 13.5 | 16.3 | 17.4 |
| <i>of which: deferred tax assets¹</i> | <i>5.2</i> | <i>5.9</i> | <i>6.7</i> |
| <i>of which: related to retained RWA and LRD²</i> | <i>3.0</i> | <i>3.2</i> | <i>3.4</i> |
| <i>of which: accruals for shareholder returns and others³</i> | <i>5.4</i> | <i>7.2</i> | <i>7.2</i> |
| Average equity attributed to business divisions and Group Functions | 57.6 | 59.3 | 57.8 |

¹ Includes average attributed equity related to the Basel III capital deduction items for deferred tax assets (deferred tax assets recognized for tax loss carry-forwards and deferred tax assets on temporary differences, excess over threshold), as well as retained risk-weighted assets (RWA) and leverage ratio denominator (LRD) related to deferred tax assets. ² Excludes average attributed equity related to retained RWA and LRD related to deferred tax assets. ³ Includes attributed equity related to dividend accruals, unrealized gains / losses from cash flow hedges, and a balancing item for capital held in excess of the 12.5%-capital and 3.75%-leverage-ratio calibration thresholds for equity attribution.

Return on attributed equity^{1, 2}

| in % | For the year ended | | |
|------------------------------|--------------------|----------|----------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Global Wealth Management | 24.9 | 25.4 | 23.6 |
| Personal & Corporate Banking | 19.5 | 18.9 | 14.2 |
| Asset Management | 81.2 | 51.8 | 74.2 |
| Investment Bank | 14.6 | 20.3 | 19.7 |

¹ Return on attributed equity for Group Functions is not shown, as it is not meaningful. ² Refer to “Alternative performance measures” in the appendix to this report for the definition and calculation method.

Liquidity and funding management

We manage the structural risks of our balance sheet, including interest rate risk, structural foreign exchange risk and collateral risk, as well as liquidity and funding risk. This section provides information about liquidity and funding regulatory requirements, governance, management (including sources of liquidity and funding), contingency planning, and stress testing. The balances disclosed in this section represent year-end positions, unless indicated otherwise. Intra-period balances fluctuate in the ordinary course of business and may differ from year-end positions.

Strategy, objectives and governance

Audited I Our management of liquidity and funding has the overall objective of protecting our business franchises and prudently managing our internal and regulatory liquidity and funding requirements. We measure liquidity and funding risk using internal and regulatory models and metrics. We define and implement internal stress testing across different time horizons, scenarios and currencies to ensure we have sufficient liquidity and funding, while remaining compliant with regulatory requirements, primarily expressed through the liquidity coverage ratio (the LCR) and the net stable funding ratio (the NSFR). Our liquidity and funding strategy is proposed by Group Treasury and approved by the Group Asset and Liability Committee (the Group ALCO), which is a committee of the Group Executive Board (the GEB) that is overseen by the Risk Committee of the Board of Directors (the BoD).

Liquidity and funding limits and other indicators (including early-warning indicators) are set at Group and, where appropriate, at legal entity and business division levels, and are reviewed and reconfirmed at least once a year by the BoD, the GEB, the Group ALCO, the Group Chief Financial Officer, the Group Chief Risk Officer and the Group Treasurer, taking into consideration the Group's business strategy and risk appetite. Treasury Risk Control provides independent oversight over liquidity and funding risk. ▲

› Refer to the "Corporate governance" and "Risk management and control" sections of this report for more information

Group Treasury monitors and oversees the implementation and execution of our liquidity and funding strategy and manages liquidity and funding risk within the limits and other relevant indicators, thereby adhering to the internal risk appetite and regulatory requirements. This includes close control of both our cash and collateral, including our high-quality liquid assets (HQLA), and centralizes the Group's access to wholesale cash markets in Group Treasury. To complement our business-as-usual management, Group Treasury maintains a Contingency Funding Plan and contributes to plans for recovery and resolution to define procedures throughout the crisis continuum. Group Treasury reports on the Group's liquidity and funding status and position, including concentration risk, at least monthly, to the Group ALCO and the Risk Committee of the BoD.

In July 2022, the revision of the Swiss Liquidity Ordinance became effective. Further supervisory guidance from FINMA is expected to be communicated in the autumn of 2023.

Liquidity and funding stress testing

Audited I Our liquidity and funding risk management aims to ensure that the firm has sufficient liquidity and funding to survive a severe idiosyncratic and market-wide liquidity and funding stress event without government support, allowing for discrete management actions.

Group Treasury maintains a diversified, high-quality pool of unencumbered liquid assets under Treasury control. The liquid asset portfolio is managed dynamically, so as to operate at all times within the internal risk appetite and other relevant Group and subsidiary liquidity and funding requirements. ▲

Our liquidity and funding stress testing covers two main stress scenarios: a combined (market and idiosyncratic) scenario and a structural market-wide scenario. We continuously refine stress-testing assumptions.

› Refer to "Risk measurement" in the "Risk management and control" section of this report for more information about stress testing

Combined (market and idiosyncratic) scenario

In this scenario, UBS faces the consequences of both a severely deteriorated macroeconomic and financial market environment and a UBS-specific event, resulting in an acute loss of liquidity over a relatively short period of time. This scenario represents severe yet plausible events encompassing both market-wide and idiosyncratic elements, in which, however, franchise client relationships are materially maintained.

The objective of this stress test is to ensure that UBS keeps a cumulative liquidity surplus on each day in the three-month stress horizon. The liquidity gap is assessed by modeling the stressed liquidity value of the liquidity buffer and stressed liquidity inflows and outflows under the scenario.

Structural market-wide scenario

In this scenario, UBS is subject to a significant deterioration of macroeconomic and financial market conditions globally, resulting in a requirement for long-term funding to survive the liquidity drain and support the franchise of the business. Macroeconomic shocks result in deteriorated financial market conditions over the scenario horizon of one year. UBS is assumed to be affected equally relative to other global financial institutions.

The objective of this stress test is to ensure that UBS maintains a positive cumulative behavioral liquidity gap across the 3-month, 6-month, 9-month and 12-month tenors. The liquidity gap is assessed by modeling the stressed liquidity value of the liquidity buffer, and stressed liquidity inflows and outflows under the scenario. In addition, the liquidity stress-testing metric above 12 months aims to ensure that UBS has sufficient long-term (contractual and behavioral) funding supply to support its long-term funding consumption.

Funding management

Audited I Group Treasury monitors our funding position, including concentration risk, aiming to ensure that we maintain a well-balanced and diversified liability structure. Our funding management team looks to create the optimal liability structure to finance our businesses in a reliable and cost-efficient manner. Our funding activities are planned by analyzing the overall liquidity and funding requirements, taking into account the amount of stable funding that would be needed to support ongoing business activities through periods of difficult market conditions. ▲

The funding strategy of UBS Group AG is set annually in the Funding Plan and is reviewed on an ongoing basis. The Funding Plan is developed by Group Treasury and approved by the Group ALCO.

› **Refer to “Balance sheet and off-balance sheet” in this section for more information about the development of our short- and long-term debt during 2022**

Global Wealth Management and Personal & Corporate Banking provide significant, cost-efficient and stable sources of funding. These include deposits and debt issued through the Swiss central mortgage institutions, which use a portion of our portfolio of Swiss residential mortgages as collateral to generate long-term funding. In addition, we have several short-, medium- and long-term funding programs under which we issue senior unsecured debt and structured notes, as well as short-term debt. These programs enable UBS to source funding from institutional and private investors who are active in Europe, the US and Asia Pacific. Collectively, these broad product offerings and funding sources, together with the global scope of our business activities, support our funding stability.

Internal funding and funds transfer pricing

We use our global liquidity and funding framework to govern the liquidity management of all our branches and subsidiaries. Group Treasury meets internal demands for funding by channeling funds from entities generating surplus cash to those in need of financing, except in circumstances where transfer restrictions exist.

Funding costs and benefits are allocated to our business divisions according to our liquidity and funding risk management framework. Our internal funds transfer pricing system is designed to ensure we have the right mix of assets and liabilities in currencies and tenors.

Credit ratings

Credit ratings can affect the cost and availability of funding, especially from wholesale unsecured sources. Our credit ratings can also influence the performance of some of our businesses and the levels of client and counterparty confidence. Rating agencies take into account a range of factors when assessing creditworthiness and setting credit ratings. These include the company's strategy, its business position and franchise value, stability and quality of earnings, capital adequacy, risk profile and management, liquidity management, diversification of funding sources, asset quality, and corporate governance. Credit ratings reflect the opinions of the rating agencies and can change at any time.

In evaluating our liquidity and funding requirements, we consider the potential effect of a reduction in our long-term credit ratings and a corresponding reduction in short-term ratings. If our credit ratings were to be downgraded, rating trigger clauses could result in an immediate cash settlement or the need to deliver additional collateral to counterparties from contractual obligations related to over-the-counter (OTC) derivative positions and other obligations. Based on our credit ratings as of 31 December 2022, in the event of a one-notch reduction in our long-term credit ratings, we would have been required to provide USD 0.1bn in cash or other collateral. In the event of a two-notch reduction, it would have been USD 0.3bn and for a three-notch downgrade USD 1.0bn. In the two- and three-notch scenarios the collateral requirements predominantly relate to OTC derivative positions.

There were no rating actions with regard to UBS Group AG's or UBS AG's solicited credit ratings in 2022.

› **Refer to “Liquidity and funding management are critical to UBS's ongoing performance” in the “Risk factors” section of this report for more information**

Contingency Funding Plan

Audited I We maintain our Contingency Funding Plan as a preparation and action plan, aiming to ensure we hold sufficient liquidity to meet our payment obligations and raise funding during periods of liquidity stress. The plan specifies the processes, tools and responsibilities that we have available to effectively manage liquidity and funding through these periods. Our funding diversification and global scope help to protect our liquidity position in the event of a crisis. Our contingent funding sources include our HQLA portfolios, available and unutilized liquidity facilities at several major central banks, contingent reductions of trading portfolio assets, and other actions available to the management. ▲

Liquidity coverage ratio

The LCR measures the short-term resilience of a bank's liquidity profile by assessing whether sufficient HQLA are available to meet expected net cash outflows from a significant liquidity stress scenario, as defined by the relevant regulator.

For UBS, HQLA are low-risk unencumbered assets under the control of Group Treasury that are easily and immediately convertible into cash at little or no loss of value, in order to meet liquidity needs. Our HQLA predominantly consist of assets that qualify as Level 1 in the LCR framework, including cash, central bank reserves and government bonds. Group HQLA are held by UBS AG and its subsidiaries and may include amounts that are available to meet funding and collateral needs in certain jurisdictions but are not readily available for use by the Group as a whole. These limitations are typically the result of local regulatory requirements, including local LCR and large exposure requirements. Funds that are effectively restricted are excluded from the calculation of Group HQLA to the extent they exceed the outflow assumptions for the subsidiary that holds the relevant HQLA. On this basis, USD 34bn of assets were excluded from our daily average Group HQLA for the fourth quarter of 2022. Amounts held in excess of local liquidity requirements that are not subject to other restrictions are generally available for transfer within the Group.

Basel Committee on Banking Supervision (BCBS) standards require an LCR of at least 100%. In a period of financial stress, the Swiss Financial Market Supervisory Authority (FINMA) may allow banks to use their HQLA and let their LCR temporarily fall below the minimum threshold. We monitor the LCR in all significant currencies in order to manage any currency mismatches between HQLA and the net expected cash outflows in times of stress.

Our daily average LCR for the fourth quarter of 2022 was 163.7%, compared with 155.5% in the fourth quarter of 2021, remaining above the prudential requirement communicated by FINMA.

Average HQLA increased by USD 10.7bn to USD 238.6bn, mainly driven by lower funding consumption from the business divisions, partly offset by a reduction of short-term debt. Average net cash outflows decreased slightly, by USD 0.8bn, to USD 146.0bn. Lower average outflows from customer deposits were almost entirely offset by lower average inflows from loans and securities financing transactions, as well as higher average net cash outflows from derivatives.

- › Refer to the **31 December 2022 Pillar 3 Report**, available under **"Pillar 3 disclosures"** at ubs.com/investors, for more information about the LCR
- › Refer to the **"Significant regulated subsidiary and sub-group information"** section of this report for more information about the LCR of UBS AG and UBS Switzerland AG

Liquidity coverage ratio

| <i>USD bn, except where indicated</i> | Average 4Q22 ¹ | Average 4Q21 ¹ |
|---|---------------------------|---------------------------|
| High-quality liquid assets (HQLA) | 238.6 | 227.9 |
| Total net cash outflows ² | 146.0 | 146.8 |
| Liquidity coverage ratio (%)³ | 163.7 | 155.5 |

¹ Calculated based on an average of 63 data points in the fourth quarter of 2022 and 66 data points in the fourth quarter of 2021. ² Represents the net cash outflows expected over a stress period of 30 calendar days. ³ Calculated after the application of haircuts and inflow and outflow rates, as well as, where applicable, caps on Level 2 assets and cash inflows.

Net stable funding ratio

The NSFR framework is intended to limit overreliance on short-term wholesale funding, to encourage a better assessment of funding risk across all on- and off-balance sheet items and to promote funding stability. The NSFR has two components: available stable funding (ASF), as numerator, and required stable funding (RSF), as denominator. ASF is the portion of capital and liabilities expected to be available over the period of one year. RSF is a measure of the stable funding requirement of assets based on their maturity, encumbrance and other characteristics, as well as the potential for contingent calls on funding liquidity from off-balance sheet exposures. The BCBS NSFR regulatory framework requires a ratio of at least 100%.

As of 31 December 2022, the NSFR increased 1.3 percentage points to 119.8%, remaining above the prudential requirement communicated by FINMA. RSF decreased by USD 19.6bn to USD 468.5bn, mainly due to lower trading assets and receivables from securities financing transactions, partly offset by higher derivative balances. ASF decreased by USD 17.0bn to USD 561.4bn, mainly driven by lower debt securities issued and customer deposits.

- › Refer to the **31 December 2022 Pillar 3 Report**, available under **"Pillar 3 disclosures"** at ubs.com/investors, for more information about the NSFR
- › Refer to the **"Significant regulated subsidiary and sub-group information"** section of this report for more information about the NSFR of UBS AG and UBS Switzerland AG

Net stable funding ratio

| <i>USD bn, except where indicated</i> | 31.12.22 | 31.12.21 |
|---------------------------------------|--------------|--------------|
| Available stable funding (ASF) | 561.4 | 578.4 |
| Required stable funding (RSF) | 468.5 | 488.1 |
| Net stable funding ratio (%) | 119.8 | 118.5 |

Balance sheet and off-balance sheet

Balance sheet

The balances disclosed in this section represent year-end positions, unless indicated otherwise. Intra-period balances fluctuate in the ordinary course of business and may differ from year-end positions. Refer to the “Consolidated financial statements” section of this report for more information about the development of our financial position.

Balance sheet assets

As of 31 December 2022, balance sheet assets totaled USD 1,104.4bn, a decrease of USD 12.8bn compared with 31 December 2021, which included a decrease of approximately USD 22.7bn from currency effects.

Cash and balances at central banks decreased by USD 23.4bn, including currency effects of approximately USD 5.9bn. The net cash outflow was mainly due to shifts within the high-quality liquid asset (HQLA) portfolio from cash into securities, a reduction in short-term debt, decreases in customer deposits and outflows related to the share repurchase programs. These outflows were partly offset by inflows from roll-offs of securities financing transactions, decreases in trading assets, as well as lower lending.

Trading portfolio assets decreased by USD 22.9bn, mainly in our Financing and Derivatives & Solutions businesses in the Investment Bank, reflecting lower inventory held to hedge client positions and market-driven movements. Lending assets decreased by USD 11.2bn, mainly driven by currency effects of USD 6.4bn. The movement not related to currency effects was mainly in Global Wealth Management, reflecting decreases in Lombard loans in Asia Pacific, partly offset by higher mortgage loans in the Americas. Non-financial assets and financial assets for unit-linked investment contracts decreased by USD 8.7bn, predominantly in Asset Management, mainly due to market-driven decreases on investments related to unit-linked contracts, and in Global Wealth Management, due to the completion of the sale of our domestic wealth management business in Spain and the sale of UBS Swiss Financial Advisers AG in 2022. Securities financing transactions at amortized cost decreased by USD 7.2bn, mostly due to lower client activity levels in the Investment Bank as interest rates rose, as well as trade roll-offs in Group Treasury. Brokerage receivables decreased by USD 4.2bn in our Financing business, as increases in client lending were more than offset by netting effects against Brokerage payables.

These decreases were partly offset by a USD 36.4bn increase in Derivatives and cash collateral receivables on derivative instruments. The increases were mainly in our Derivatives & Solutions and Financing businesses, predominantly reflecting increases in foreign exchange contracts, where the contracts in place at the end of 2022 had higher fair values compared with the contracts in place at the end of 2021, as well as increases in interest rate contracts, mainly due to higher trading volumes and market-driven movements as interest rates increased during the year. These increases were partly offset by market-driven decreases in Non-core and Legacy Portfolio on long-dated interest rate contracts due to the aforementioned increases in interest rates.

Other financial assets measured at amortized cost and fair value increased by USD 28.4bn, largely reflecting shifts within the HQLA portfolio from cash into securities within Group Treasury due to the widening of spreads. Included within Other financial assets measured at amortized cost and fair value is a portfolio of financial assets reclassified effective from 1 April 2022 from Financial assets measured at fair value through other comprehensive income to Other financial assets measured at amortized cost, in line with the principles in IFRS 9, *Financial Instruments*.

› Refer to “Note 1 Summary of material accounting policies” in the “Consolidated financial statements” section of this report for more information about the reclassification of a portfolio of financial assets

Assets

| | As of | | % change from |
|--|----------------|----------------|---------------|
| USD bn | 31.12.22 | 31.12.21 | 31.12.21 |
| Cash and balances at central banks | 169.4 | 192.8 | (12) |
| Lending ¹ | 402.0 | 413.2 | (3) |
| Securities financing transactions at amortized cost | 67.8 | 75.0 | (10) |
| Trading portfolio ² | 107.9 | 130.8 | (18) |
| Derivatives and cash collateral receivables on derivative instruments | 185.1 | 148.7 | 25 |
| Brokerage receivables | 17.6 | 21.8 | (20) |
| Other financial assets measured at amortized cost and fair value ³ | 102.2 | 73.8 | 38 |
| Non-financial assets and financial assets for unit-linked investment contracts | 52.3 | 61.0 | (14) |
| Total assets | 1,104.4 | 1,117.2 | (1) |

¹ Consists of loans and advances to customers and banks. ² Consists of financial assets at fair value held for trading. ³ Consists of financial assets at fair value not held for trading, financial assets measured at fair value through other comprehensive income and other financial assets measured at amortized cost, but excludes financial assets for unit-linked investment contracts.

Asset encumbrance

The table below provides a breakdown of on- and off-balance sheet assets between encumbered assets, unencumbered assets and assets that cannot be pledged as collateral.

Assets are presented as Encumbered if they have been pledged as collateral against an existing liability or are otherwise not available for securing additional funding. Included within the latter category are assets protected under client asset segregation rules, financial assets for unit-linked investment contracts, and assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements.

› Refer to “Note 22 Restricted and transferred financial assets” in the “Consolidated financial statements” section of this report for more information

Assets that cannot be pledged as collateral represents assets that are not encumbered but by their nature are not considered available to secure funding or meet collateral needs.

All other assets are presented as Unencumbered. Assets that are considered to be readily available to secure funding on a Group and / or legal entity level are shown separately and consist of cash and securities readily realizable in the normal course of business. These include our HQLA and unencumbered positions in our trading portfolio. Unencumbered assets that are considered to be available to secure funding on a legal entity level may be subject to restrictions that limit the total amount of assets available to the Group as a whole. Other unencumbered assets, which are not considered to be readily available to secure funding on a Group and / or legal entity level, primarily consist of loans and advances to banks and customers.

Asset encumbrance as of 31 December 2022

| | Encumbered | | Unencumbered | | | Total Group |
|--|------------------------------|---|--|-------------------------|---|----------------|
| | Assets pledged as collateral | Assets otherwise restricted and not available to secure funding | Cash and securities available to secure funding on a Group and / or legal entity level | Other realizable assets | Assets that cannot be pledged as collateral | |
| <i>USD bn</i> | | | | | | |
| Balance sheet | | | | | | |
| Cash and balances at central banks | | 0.0 | 169.4 | | | 169.4 |
| Loans and advances to banks | | 3.7 | | 11.1 | | 14.8 |
| Receivables from securities financing transactions | | | | | 67.8 | 67.8 |
| Cash collateral receivables on derivative instruments | | 5.2 | | | 29.9 | 35.0 |
| Loans and advances to customers | 15.2 | 1.1 | | 370.2 | 0.7 | 387.2 |
| Other financial assets measured at amortized cost | 3.4 | 0.8 | 40.4 | 1.3 | 7.3 | 53.3 |
| Total financial assets measured at amortized cost | 18.6 | 10.8 | 209.8 | 382.6 | 105.7 | 727.6 |
| Financial assets at fair value held for trading | 57.4 ¹ | 0.2 | 48.5 | 1.8 | | 107.9 |
| Derivative financial instruments | 0.0 | | | | 150.1 | 150.1 |
| Brokerage receivables | | | | | 17.6 | 17.6 |
| Financial assets at fair value not held for trading | 1.5 ¹ | 14.5 | 30.1 | 6.0 | 7.7 | 59.8 |
| Total financial assets measured at fair value through profit or loss | 58.9 | 14.6 | 78.7 | 7.8 | 175.4 | 335.3 |
| Financial assets measured at fair value through other comprehensive income | | 1.8 | 0.4 | | | 2.2 |
| Non-financial assets | | 0.0 | 4.5 | 13.4 | 21.4 | 39.2 |
| Total balance sheet assets as of 31 December 2022 | 77.5 | 27.3 | 293.4 | 403.7 | 302.5 | 1,104.4 |
| Total balance sheet assets as of 31 December 2021 | 85.1 | 33.5 | 307.5 | 415.4 | 275.7 | 1,117.2 |
| Off-balance sheet | | | | | | |
| Fair value of securities accepted as collateral as of 31 December 2022 | 331.8 | 5.6 | 93.8 | 2.8 | | 434.0 |
| Fair value of securities accepted as collateral as of 31 December 2021 | 367.4 | 16.3 | 106.5 | 7.6 | | 497.8 |
| Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2022 | 409.3 | 33.0 | 387.1 | 406.5 | 302.5 | 1,538.4 |
| <i>of which: high-quality liquid assets</i> | | | <i>238.6</i> | | | |
| Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2021 | 452.5 | 49.8 | 414.0 | 423.0 | 275.7 | 1,615.0 |
| <i>of which: high-quality liquid assets</i> | | | <i>232.8</i> | | | |

Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2022

of which: high-quality liquid assets

Total balance sheet assets and off-balance sheet securities accepted as collateral as of 31 December 2021

of which: high-quality liquid assets

¹ Includes assets pledged as collateral that may be sold or repledged by counterparties. The respective amounts are disclosed in “Note 22 Restricted financial assets” in the “Consolidated financial statements” section of this report.

Assets available to secure funding on a Group and / or legal entity level by currency

| | | |
|---------------|--------------|--------------|
| <i>USD bn</i> | 31.12.22 | 31.12.21 |
| Swiss franc | 120.0 | 111.4 |
| US dollar | 156.2 | 174.7 |
| Euro | 40.3 | 46.6 |
| Other | 70.6 | 81.2 |
| Total | 387.1 | 414.0 |

Balance sheet liabilities

Total liabilities as of 31 December 2022 were USD 1,047.1bn, a decrease of USD 9.1bn compared with 31 December 2021, which included a decrease of approximately USD 20.4bn from currency effects.

Customer deposits decreased by USD 16.9bn, including an USD 8.3bn decrease from currency effects. The decrease not related to currency effects was USD 14.4bn in Global Wealth Management, mostly in the Americas, partly offset by a USD 5.8bn increase in Personal & Corporate Banking. In addition, increases in interest rates during the year resulted in significant shifts from demand deposits to time deposits. As of 31 December 2022, our ratio of customer deposits to outstanding loans and advances to customers was unchanged at 136%. Short-term borrowings decreased by USD 14.9bn, mainly due to maturities of commercial paper and certificates of deposit in Group Treasury.

Debt issued designated at fair value and long-term debt issued measured at amortized cost decreased by USD 11.3bn. Long-term debt issued measured at amortized cost decreased by USD 11.1bn, driven by hedge accounting and foreign currency effects, as well as net redemptions. Debt issued designated at fair value remained broadly unchanged, while net new issuances mainly of fixed-rate and equity-linked contracts were offset by market-driven movements on equity-linked contracts.

During 2022, the redemption of a covered bond of USD 1.4bn and net redemptions of subordinated debt instruments of USD 1.3bn were partly offset by USD 0.8bn of net new issuances of senior unsecured debt, including TLAC-eligible benchmark instruments. In December 2022, we announced our intention to call one loss-absorbing tier 1 capital instrument of USD 2.0bn, which was redeemed in January 2023. As of 31 December 2022, UBS is already compliant with its 2023 going and gone concern capital requirements and expects to act rationally and strategically with respect to the refinancing of any callable capital instruments and any potential incremental issuances.

- › Refer to **"UBS Group AG consolidated capital instruments and TLAC-eligible senior unsecured debt,"** available under **"Bondholder information"** at ubs.com/investors, for more information

Non-financial liabilities and financial liabilities related to unit-linked investment contracts decreased by USD 10.6bn, mainly reflecting market-driven decreases in unit-linked investment contracts in line with the asset side and in Global Wealth Management due to the completion of the sale of our domestic wealth management business in Spain and the sale of UBS Swiss Financial Advisers AG in 2022.

- › Refer to **"Note 29 Changes in organization and acquisitions and disposals of subsidiaries and businesses"** in the **"Consolidated financial statements"** section of this report for more information about the sales of these businesses

These decreases were partly offset by a USD 38.2bn increase in Derivatives and cash collateral payables on derivative instruments, in line with the movement on the asset side. Other financial liabilities measured at amortized cost and fair value increased by USD 9.0bn, mainly in Group Treasury, due to lower netting effects on securities financing transactions measured at fair value.

Equity

Equity attributable to shareholders decreased by USD 3,786m to USD 56,876m as of 31 December 2022.

This decrease was mainly driven by net treasury share activity that decreased equity by USD 5,999m. This was mainly due to share repurchases with an acquisition cost of USD 3,966m under our 2022 share repurchase program, repurchases of USD 1,637m under our 2021 program and purchases of USD 207m from the market to hedge our share delivery obligations related to employee share-based compensation awards. In addition, distributions to shareholders reduced equity by USD 1,668m, reflecting a dividend payment of USD 0.50 per share.

These decreases were partly offset by total comprehensive income attributable to shareholders of positive USD 3,149m, reflecting net profit of USD 7,630m and negative other comprehensive income (OCI) of USD 4,481m. OCI mainly included negative cash flow hedge OCI of USD 4,793m, negative OCI related to foreign currency translation of USD 525m and positive OCI related to own credit on financial liabilities designated at fair value of USD 796m. In addition, deferred share-based compensation awards of USD 716m were expensed in the income statement, increasing share premium.

In the second quarter of 2022, we canceled 177,787,273 shares purchased under our 2021 share repurchase program from its inception in 2021 until 18 February 2022, as approved by shareholders at the 2022 Annual General Meeting. The cancellation of shares resulted in reclassifications within equity but had no net effect on our total equity attributable to shareholders.

- › Refer to the **"Group performance"** and **"Consolidated financial statements"** sections of this report for more information about OCI
- › Refer to the **"Reconciliation of IFRS equity to Swiss SRB common equity tier 1 capital"** table in this section for more information about the effects of OCI on common equity tier 1 capital
- › Refer to **"UBS shares"** in this section for more information about our share repurchase programs

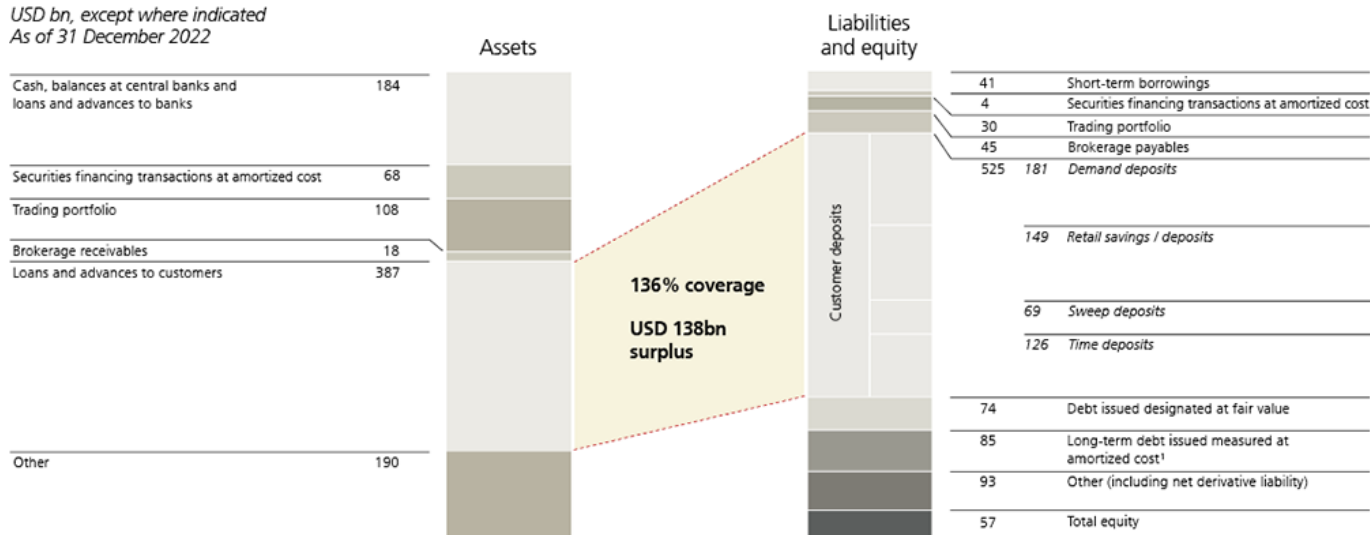
Liabilities and equity

| | As of | | % change from |
|--|----------------|----------------|---------------|
| USD bn | 31.12.22 | 31.12.21 | 31.12.21 |
| Short-term borrowings ¹ | 41.3 | 56.2 | (27) |
| Securities financing transactions at amortized cost | 4.2 | 5.5 | (24) |
| Customer deposits | 525.1 | 542.0 | (3) |
| Debt issued designated at fair value and long-term debt issued measured at amortized cost ² | 158.6 | 169.9 | (7) |
| Trading portfolio ³ | 29.5 | 31.7 | (7) |
| Derivatives and cash collateral payables on derivative instruments | 191.3 | 153.1 | 25 |
| Brokerage payables | 45.1 | 44.0 | 2 |
| Other financial liabilities measured at amortized cost and fair value ⁴ | 26.6 | 17.6 | 51 |
| Non-financial liabilities and financial liabilities related to unit-linked investment contracts | 25.5 | 36.1 | (29) |
| Total liabilities | 1,047.1 | 1,056.2 | (1) |
| Share capital | 0.3 | 0.3 | (6) |
| Share premium | 13.5 | 15.9 | (15) |
| Treasury shares | (6.9) | (4.7) | 47 |
| Retained earnings | 50.0 | 43.9 | 14 |
| Other comprehensive income ⁵ | (0.1) | 5.2 | (102) |
| Total equity attributable to shareholders | 56.9 | 60.7 | (6) |
| Equity attributable to non-controlling interests | 0.3 | 0.3 | 1 |
| Total equity | 57.2 | 61.0 | (6) |
| Total liabilities and equity | 1,104.4 | 1,117.2 | (1) |

¹ Consists of short-term debt issued measured at amortized cost and amounts due to banks. ² The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. ³ Consists of financial liabilities at fair value held for trading. ⁴ Consists of other financial liabilities measured at amortized cost and other financial liabilities designated at fair value, but excludes financial liabilities related to unit-linked investment contracts. ⁵ Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings.

Asset funding

USD bn, except where indicated
As of 31 December 2022



¹ The classification of debt issued measured at amortized cost into short- and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features.

Liabilities by product and currency

| USD bn | All currencies | | USD equivalent | | | | | |
|--|----------------|----------------|----------------|--------------|---------------|--------------|---------------|--------------|
| | 31.12.22 | 31.12.21 | of which: USD | | of which: CHF | | of which: EUR | |
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Short-term borrowings | 41.3 | 56.2 | 23.3 | 32.2 | 3.8 | 4.3 | 4.4 | 6.2 |
| of which: amounts due to banks | 11.6 | 13.1 | 4.2 | 3.4 | 3.7 | 4.2 | 1.1 | 0.8 |
| of which: short-term debt issued ¹ | 29.7 | 43.1 | 19.0 | 28.8 | 0.1 | 0.2 | 3.3 | 5.3 |
| Securities financing transactions at amortized cost | 4.2 | 5.5 | 3.6 | 5.2 | 0.0 | 0.0 | 0.2 | 0.2 |
| Customer deposits | 525.1 | 542.0 | 226.6 | 252.1 | 198.5 | 189.7 | 53.6 | 54.8 |
| of which: demand deposits | 180.8 | 246.4 | 47.1 | 92.3 | 71.4 | 70.9 | 37.3 | 46.3 |
| of which: retail savings / deposits | 149.3 | 133.3 | 24.6 | 11.7 | 119.0 | 116.0 | 5.6 | 5.5 |
| of which: sweep deposits | 69.2 | 113.9 | 69.2 | 113.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| of which: time deposits | 125.7 | 48.4 | 85.7 | 34.2 | 8.1 | 2.8 | 10.6 | 3.0 |
| Debt issued designated at fair value and long-term debt issued measured at amortized cost ² | 158.6 | 169.9 | 98.4 | 100.3 | 16.9 | 18.4 | 29.6 | 35.1 |
| Trading portfolio ³ | 29.5 | 31.7 | 12.1 | 13.7 | 0.8 | 0.9 | 8.1 | 6.3 |
| Derivatives and cash collateral payables on derivative instruments | 191.3 | 153.1 | 160.4 | 126.3 | 3.8 | 2.1 | 15.8 | 15.2 |
| Brokerage payables | 45.1 | 44.0 | 32.3 | 32.8 | 0.4 | 0.4 | 3.2 | 2.8 |
| Other financial liabilities measured at amortized cost and fair value ⁴ | 26.6 | 17.6 | 16.3 | 9.3 | 1.7 | 1.5 | 4.8 | 3.7 |
| Non-financial liabilities and financial liabilities related to unit-linked investment contracts | 25.5 | 36.1 | 4.7 | 6.0 | 1.5 | 2.4 | 2.9 | 3.4 |
| Total liabilities | 1,047.1 | 1,056.2 | 577.7 | 577.8 | 227.6 | 219.7 | 122.6 | 127.8 |

¹ Short-term debt issued consists of certificates of deposit, commercial paper, acceptances and promissory notes, and other money market paper. ² The classification of debt issued measured at amortized cost into short-term and long-term is based on original contractual maturity and therefore long-term debt also includes debt with a remaining time to maturity of less than one year. This classification does not consider any early redemption features. ³ Consists of financial liabilities at fair value held for trading. ⁴ Consists of other financial liabilities measured at amortized cost and other financial liabilities designated at fair value, but excludes financial liabilities related to unit-linked investment contracts.

Off-balance sheet

In the normal course of business, we enter into transactions where, pursuant to IFRS, the maximum contractual exposure may not be recognized in whole or in part on our balance sheet. These transactions include derivative instruments, guarantees, loan commitments and similar arrangements.

When we incur an obligation or become entitled to an asset through these arrangements, we recognize them on the balance sheet. It should be noted that in certain instances the amount recognized on the balance sheet does not represent the full gain or loss potential inherent in such arrangements.

The following paragraphs provide more information about certain off-balance sheet arrangements. Additional off-balance sheet information is primarily provided in Notes 9, 10, 17, 19, 20h, 22 and 28 in the "Consolidated financial statements" section of this report, and in the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors.

Guarantees, loan commitments and similar arrangements

In the normal course of business, we issue various forms of guarantees, commitments to extend credit, standby and other letters of credit to support our clients, forward starting transactions, note issuance facilities, and revolving underwriting facilities. With the exception of related premiums, generally these guarantees and similar obligations are kept as off-balance sheet items, unless a provision to cover probable losses or expected credit losses is required.

Guarantees represent irrevocable assurances that, subject to the satisfying of certain conditions, we will make payments if our clients fail to fulfill their obligations to third parties. As of 31 December 2022, the net exposure (i.e., gross values less sub-participations) from guarantees and similar instruments was USD 20.6bn, compared with USD 18.9bn as of 31 December 2021. The increase of USD 1.7bn reflected higher guarantees issued to corporate clients in Group Treasury. Fee income from issuing guarantees compared with total net fee and commission income is insignificant for both 2022 and 2021.

We also enter into commitments to extend credit in the form of credit lines available to secure the liquidity needs of clients. The majority of loan commitments range in maturity from one month to two years. Committed unconditionally revocable credit lines are generally open-ended. During 2022, loan commitments and committed unconditionally revocable credit lines remained broadly stable. Forward starting reverse repurchase agreements increased by USD 2.4bn and forward starting repurchase agreements increased by USD 0.9bn, both predominantly in Group Treasury.

Off-balance sheet

| USD bn | As of | | % change from |
|---|----------|----------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.21 |
| Guarantees ¹ | 20.6 | 18.9 | 9 |
| Loan commitments ^{1,2} | 40.0 | 39.5 | 1 |
| Committed unconditionally revocable credit lines | 41.4 | 40.8 | 1 |
| Forward starting reverse repurchase agreements ² | 3.8 | 1.4 | 163 |
| Forward starting repurchase agreements ² | 1.9 | 1.0 | 80 |

¹ Guarantees and Loan commitments are shown net of sub-participations. ² The exposures related to loan commitments, forward starting repurchase and reverse repurchase agreements measured at fair value through profit or loss are not included in this table but are reflected as notional amounts in "Note 10 Derivative instruments" in the "Consolidated financial statements" section of this report.

If customers fail to meet their obligations, our maximum exposure to credit risk is generally the contractual amount of these instruments. The risk is similar to the risk involved in extending loan facilities and is subject to the same risk management and control framework. In 2022, we recognized net credit loss releases of USD 3m related to loan commitments, guarantees and other credit facilities in the scope of expected credit loss measurement, compared with net credit loss releases of USD 46m in 2021. Provisions recognized for guarantees, loan commitments and other credit facilities in the scope of expected credit loss measurement were USD 201m as of 31 December 2022, compared with USD 196m as of 31 December 2021.

- › Refer to "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" and "Note 19 Expected credit loss measurement" in the "Consolidated financial statements" section of this report for more information about provisions for expected credit losses

For certain obligations, we enter into partial sub-participations to mitigate various risks from guarantees and loan commitments. A sub-participation is an agreement by another party to take a share of the loss in the event that the obligation is not fulfilled by the obligor and, where applicable, to fund a part of the credit facility. We retain the contractual relationship with the obligor, and the sub-participant has only an indirect relationship. Generally, we only enter into sub-participation agreements with banks to which we ascribe a credit rating equal to or better than that of the obligor.

We also provide representations, warranties and indemnifications to third parties in the normal course of business.

Support provided to non-consolidated investment funds

In 2022, the Group did not provide material support, financial or otherwise, to unconsolidated investment funds when the Group was not contractually obligated to do so, nor does it have an intention to do so.

Clearing house and exchange memberships

We are a member of numerous securities and derivative exchanges and clearing houses. In connection with some of these memberships, we may be required to pay a share of the financial obligations of another member who defaults, or we may be otherwise exposed to additional financial obligations. While the membership rules vary, obligations generally would arise only if the exchange or clearing house had exhausted its resources. We consider the probability of a material loss due to such obligations to be remote.

Deposit insurance

Swiss banking law and the deposit insurance system require Swiss banks and securities dealers to jointly guarantee an amount of up to CHF 6bn for privileged client deposits in the event that a Swiss bank or securities dealer becomes insolvent. As of 31 December 2022, FINMA estimates our share in the deposit insurance system to be CHF 0.9bn. This represents a contingent payment obligation and exposes us to additional risk. As of 31 December 2022, we considered the probability of a material loss from our obligations to be remote.

UBS is also subject to, or is a member of, other deposit protection schemes in other countries. However, no contingent payment obligation existed as of 31 December 2022 from any other material scheme.

Material cash requirements

The Group's material cash requirements as of 31 December 2022 are represented by the residual contractual maturities for non-derivative and non-trading financial liabilities included in the table presented in "Note 23b Maturity analysis of financial liabilities on an undiscounted basis" in the "Consolidated financial statements" section of this report. Included in the table are debt issued designated at fair value (USD 83.4bn) and long-term debt issued measured at amortized cost (USD 103.7bn). The amounts represent estimated future interest and principal payments on an undiscounted basis.

In the normal course of business, we also issue or enter into various forms of guarantees, loan commitments and other similar arrangements that may result in an outflow of cash in the future. The maturity profile of these obligations, which are presented off-balance sheet, are included in "Note 23b Maturity analysis of financial liabilities on an undiscounted basis" in the "Consolidated financial statements" section of this report.

- › Refer to "Guarantees, loan commitments and similar arrangements" in this section for more information

Cash flows

As a global financial institution, our cash flows are complex and often may bear little relation to our net earnings and net assets. Consequently, we believe that a traditional cash flow analysis is less meaningful when evaluating our liquidity position than the liquidity, funding and capital management frameworks and measures described elsewhere in this section.

› Refer to the “Liquidity and funding management” section of this report for more information

Cash and cash equivalents

As of 31 December 2022, cash and cash equivalents totaled USD 195.3bn, a decrease of USD 12.6bn compared with 31 December 2021, driven by net cash outflows from investing and financing activities, as well as negative foreign exchange effects, largely reflecting appreciation of the US dollar against the yen, euro and Swiss franc in 2022. These effects were partly offset by net cash inflows from operating activities.

Operating activities

Net cash inflows from operating activities were USD 14.6bn in 2022, compared with USD 31.4bn in 2021. The net operating cash flow, before changes in operating assets and liabilities and income taxes paid, was an outflow of USD 2.0bn. Changes in operating assets and liabilities resulted in net cash inflows of USD 16.6bn, mainly driven by net inflows of USD 8.0bn from financial assets and liabilities at fair value held for trading and derivative financial instruments, USD 6.0bn from brokerage receivables and payables, USD 5.7bn from financial assets and liabilities at fair value not held for trading and other financial assets and liabilities, as well as USD 4.4bn from securities financing transactions at amortized cost. These inflows were partly offset by a net outflow from loans and advances to customers and customer deposits of USD 5.2bn and income tax paid of USD 1.6bn.

Investing activities

Investing activities resulted in a net cash outflow of USD 12.4bn in 2022, compared with USD 2.1bn in 2021, primarily related to a cash outflow of USD 12.0bn from net purchases of debt securities measured at amortized cost.

Financing activities

Financing activities resulted in a net cash outflow of USD 9.1bn in 2022, compared with an inflow of USD 10.3bn in 2021, mainly due to net repayment of short-term debt of USD 12.2bn, net cash used to repurchase treasury shares of USD 6.0bn and a dividend distribution to shareholders of USD 1.7bn. This outflow was partly offset by net issuance proceeds of USD 11.4bn from debt designated at fair value and long-term debt measured at amortized cost.

› Refer to “Primary financial statements and share information” in the “Consolidated financial statements” section of this report for more information about cash flows

Statement of cash flows (condensed)

| | For the year ended | |
|---|--------------------|--------------|
| USD bn | 31.12.22 | 31.12.21 |
| Net cash flow from / (used in) operating activities | 14.6 | 31.4 |
| Net cash flow from / (used in) investing activities | (12.4) | (2.1) |
| Net cash flow from / (used in) financing activities | (9.1) | 10.3 |
| Effects of exchange rate differences on cash and cash equivalents | (5.7) | (5.3) |
| Net increase / (decrease) in cash and cash equivalents | (12.6) | 34.3 |
| Cash and cash equivalents at the end of the year | 195.3 | 207.9 |

Currency management

Strategy, objectives and governance

Group Treasury focuses on three main areas of currency risk management: (i) currency-matched funding and investment of non-US-dollar assets and liabilities; (ii) sell-down of foreign currency International Financial Reporting Standards profits and losses; and (iii) selective hedging of anticipated non-US-dollar profits and losses to further mitigate the effect of structural imbalances in the balance sheet. Group Treasury also manages structural currency composition at the consolidated Group level.

Currency-matched funding and investment of non-US-dollar assets and liabilities

For monetary balance sheet items and other investments, as far as is practical and efficient, we follow the principle of matching the currencies of our assets and liabilities for funding purposes. This avoids profits and losses arising from the translation of non-US-dollar assets and liabilities.

Net investment hedge accounting is applied to non-US-dollar core investments to balance the effect of foreign exchange movements on both common equity tier 1 (CET1) capital and the CET1 capital ratio.

- › Refer to **“Note 1a Material accounting policies”** and **“Note 25 Hedge accounting”** in the **“Consolidated financial statements”** section of this report for more information
- › Refer to **“Capital management”** in this section for more information about our active management of sensitivity to currency movements and the effect thereof on our key ratios

Sell-down of non-US-dollar reported profits and losses

Income statement items of foreign subsidiaries and branches of UBS AG with a functional currency other than the US dollar are translated into US dollars at average exchange rates. To reduce earnings volatility on the translation of previously recognized earnings in foreign currencies, Group Treasury centralizes the profits and losses (under IFRS) arising in UBS AG and its branches and sells or buys the profit or loss for US dollars on a monthly basis. Our foreign subsidiaries follow a similar monthly sell-down process into their own functional currencies. Retained earnings in foreign subsidiaries with a functional currency other than the US dollar are integrated and managed as part of our net investment hedge accounting program.

Hedging of anticipated non-US-dollar profits and losses

The Group Asset and Liability Committee may at any time instruct Group Treasury to execute hedges to protect anticipated future profits and losses in foreign currencies against possible adverse trends of foreign exchange rates. Although intended to hedge future earnings, these transactions are accounted for as open currency positions and subject to internal market risk limits for value-at-risk and stress loss limits.

Dividend distribution

UBS Group AG declares dividends in US dollars. Shareholders holding shares through the SIX Swiss Exchange (ISIN: CH0244767585) will receive dividends in Swiss francs, based on a published exchange rate calculated up to five decimal places, on the day prior to the ex-dividend date. Shareholders holding shares through DTC (ISIN: CH0244767585; CUSIP: H42097107) will be paid dividends in US dollars.

- › Refer to the **“Standalone financial statements”** section of this report for more information about the proposed dividend distribution of UBS Group AG

UBS shares

UBS Group AG shares

Audited | As of 31 December 2022, IFRS equity attributable to shareholders amounted to USD 56,876m, represented by 3,524,635,722 shares issued. Shares issued decreased by 177,787,273 shares in 2022 as the shares acquired under the 2021 share repurchase program from its inception in 2021 until 18 February 2022 were canceled by means of a capital reduction, as approved by shareholders at the 2022 Annual General Meeting (the AGM).

Each share has a nominal value of CHF 0.10, carries one vote if entered into the share register as having the right to vote, and also entitles the holder to a proportionate share of distributed dividends. All shares are fully paid up. As the Articles of Association of UBS Group AG indicate, there are no other classes of shares and no preferential rights for shareholders. ▲

- › Refer to **“Share information and earnings per share”** in the **“Consolidated financial statements”** section of this report for more information about the planned conversion of our share capital nominal currency in 2023
- › Refer to the **“Corporate governance”** section of this report for more information about UBS shares

UBS Group share information

| | As of or for the year ended | | % change from |
|---|-----------------------------|--------------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.21 |
| Shares issued | 3,524,635,722 | 3,702,422,995 | (5) |
| Treasury shares ¹ | 416,909,010 | 302,815,328 | 38 |
| <i>of which: related to share repurchase program 2021</i> | <i>62,548,000</i> | <i>152,596,273</i> | <i>(59)</i> |
| <i>of which: related to share repurchase program 2022</i> | <i>233,901,950</i> | | |
| Shares outstanding | 3,107,726,712 | 3,399,607,667 | (9) |
| Basic earnings per share (USD) ² | 2.34 | 2.14 | 9 |
| Basic earnings per share (CHF) ³ | 2.23 | 1.96 | 14 |
| Diluted earnings per share (USD) ² | 2.25 | 2.06 | 9 |
| Diluted earnings per share (CHF) ³ | 2.14 | 1.88 | 14 |
| Equity attributable to shareholders (USD m) | 56,876 | 60,662 | (6) |
| Less: goodwill and intangible assets (USD m) | 6,267 | 6,378 | (2) |
| Tangible equity attributable to shareholders (USD m) | 50,609 | 54,283 | (7) |
| Ordinary cash dividends per share (USD) ^{4,5} | 0.55 | 0.50 | 10 |
| Total book value per share (USD) | 18.30 | 17.84 | 3 |
| Tangible book value per share (USD) | 16.28 | 15.97 | 2 |
| Share price (USD) ⁶ | 18.61 | 18.01 | 3 |
| Market capitalization (USD m) | 57,848 | 61,230 | (6) |

¹ Based on a settlement date view. ² Refer to "Share information and earnings per share" in the "Consolidated financial statements" section of this report for more information. ³ Basic and diluted earnings per share in Swiss francs are calculated based on a translation of net profit / (loss) under our US dollar presentation currency. ⁴ Dividends and / or distributions out of the capital contribution reserve are normally approved and paid in the year subsequent to the reporting period. ⁵ Refer to "Statement of proposed appropriation of total profit and dividend distribution out of total profit and capital contribution reserve" in the "Standalone financial statements" section of this report for more information. ⁶ Represents the share price as listed on the SIX Swiss Exchange, translated to US dollars using the closing exchange rate as of the respective date.

Holding of UBS Group AG shares

Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards, and also holds shares purchased under share repurchase programs. As of 31 December 2022, we held a total of 416,909,010 treasury shares (31 December 2021: 302,815,328).

Our 2021 share repurchase program was concluded on 29 March 2022 with the purchase of an additional 87.7m shares in 2022 for an acquisition cost of USD 1,637m (CHF 1,516m). The 177.8m shares repurchased under this program from its inception until 18 February 2022 for a total acquisition cost of USD 3,022m (CHF 2,775m) were canceled by means of a capital reduction, as approved by shareholders at the 2022 AGM. We also intend to cancel the remaining shares purchased under the 2021 program, subject to shareholder approval at the 2023 AGM.

On 31 March 2022, we commenced a new, 2022 share repurchase program of up to USD 6bn. Shares acquired under this program totaled 233.9m as of 31 December 2022 for a total acquisition cost of USD 3,944m (CHF 3,808m) and are intended to be canceled by means of a capital reduction, pending approval by shareholders at a future AGM.

Looking ahead, we intend to commence a new, 2023 repurchase program of up to USD 6bn over two years and expect to execute more than USD 5bn of share repurchases under both the existing, 2022 repurchase program and the new program in 2023.

Treasury shares held to hedge our share delivery obligations related to employee share-based compensation awards totaled 119m shares as of 31 December 2022 (31 December 2021: 149m). Share delivery obligations related to employee share-based compensation awards totaled 178m shares as of 31 December 2022 (31 December 2021: 175m) and are calculated on the basis of undistributed notional share awards, taking applicable performance conditions into account. Treasury shares held are delivered to employees at exercise or vesting. As of 31 December 2022, up to 122m UBS Group AG shares (31 December 2021: 122m) could have been issued out of conditional capital to satisfy share delivery obligations of any future employee share option programs or similar awards.

The Investment Bank also holds a limited number of UBS Group AG shares, primarily in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments.

The table below outlines the market purchases of UBS Group AG shares by Group Treasury. It does not include the activities of the Investment Bank.

Treasury share purchases

| Month of purchase ³ | Number of shares | Average price in USD | Share repurchase programs ¹ | | | Other treasury shares purchased ² | |
|--------------------------------|------------------|----------------------|---|--|---|--|----------------------|
| | | | Remaining volume of 2021 share repurchase program in CHF m at month-end | Remaining volume of 2021 share repurchase program in USD m at month-end ⁴ | Remaining volume of 2022 share repurchase program in USD m at month-end | Number of shares | Average price in USD |
| January 2022 | | | 1,706 | 1,843 | | | |
| February 2022 | 38,231,000 | 20.05 | 999 | 1,089 | | | |
| March 2022 | 51,928,000 | 17.68 | 190 ⁵ | 205 ⁵ | 5,952 | | |
| April 2022 | 29,420,000 | 18.14 | | | 5,418 | | |
| May 2022 | 31,670,000 | 17.65 | | | 4,859 | | |
| June 2022 | 32,124,500 | 16.78 | | | 4,320 | | |
| July 2022 | 32,152,000 | 15.83 | | | 3,811 | | |
| August 2022 | 18,284,450 | 16.41 | | | 3,511 | | |
| September 2022 | 14,114,500 | 15.23 | | | 3,296 | 12,510,000 16.52 | |
| October 2022 | 30,526,500 | 15.15 | | | 2,833 | | |
| November 2022 | 23,769,000 | 17.70 | | | 2,413 | | |
| December 2022 | 20,571,000 | 18.40 | | | 2,034 | | |

¹ In February 2021, UBS initiated a share repurchase program of up to CHF 4bn and this program was concluded on 29 March 2022. UBS has an active share repurchase program to buy back up to USD 6bn of its own shares over the two-year period started in March 2022. The share buybacks were transacted in Swiss francs on a separate trading line on the SIX Swiss Exchange. ² This table excludes purchases for the purpose of hedging derivatives linked to UBS Group AG shares and for market-making in UBS Group AG shares. The table also excludes UBS Group AG shares purchased by post-employment benefit funds for UBS employees, which are managed by a board of UBS management and employee representatives in accordance with Swiss law. UBS's post-employment benefit funds purchased 1,243,164 UBS Group AG shares during the year and held 14,213,559 UBS Group AG shares as of 31 December 2022. ³ Based on the transaction date of the respective treasury share purchases. ⁴ The remaining volume of the 2021 share repurchase program in US dollars was calculated based on the remaining volume in Swiss francs and the respective month-end closing exchange rate. ⁵ The 2021 share repurchase program was concluded on 29 March 2022.

Trading volumes

| 1,000 shares | For the year ended | | |
|---------------------------------------|--------------------|-----------|-----------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| SIX Swiss Exchange total | 2,433,051 | 2,514,259 | 5,095,908 |
| SIX Swiss Exchange daily average | 9,579 | 9,899 | 20,222 |
| New York Stock Exchange total | 186,468 | 137,366 | 260,681 |
| New York Stock Exchange daily average | 743 | 545 | 1,030 |

Source: Reuters

Listing of UBS Group AG shares

UBS Group AG shares are listed on the SIX Swiss Exchange (SIX). They are also listed on the New York Stock Exchange (the NYSE) as global registered shares. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

During 2022, the average daily trading volume of UBS Group AG shares was 9.6m shares on SIX and 0.7m shares on the NYSE. SIX is expected to remain the main venue for determining the movement in our share price, because of the high volume traded on this exchange.

During the hours in which both SIX and the NYSE are simultaneously open for trading, price differences between these exchanges are likely to be arbitrated away by professional market-makers. Accordingly, the share price will typically be similar between the two exchanges when considering the prevailing US dollar / Swiss franc exchange rate. When SIX is closed for trading, globally traded volumes will typically be lower. However, the specialist firm making a market in UBS Group AG shares on the NYSE is required to facilitate sufficient liquidity and maintain an orderly market in UBS Group AG shares throughout normal NYSE trading hours.

Ticker symbols UBS Group AG

| Trading exchange | SIX / NYSE | Bloomberg | Reuters |
|-------------------------|------------|-----------|---------|
| SIX Swiss Exchange | UBSG | UBSG SW | UBSG.S |
| New York Stock Exchange | UBS | UBS UN | UBS.N |

Security identification codes

| | |
|---------|------------------|
| ISIN | CH0244767585 |
| Valoren | 24 476 758 |
| CUSIP | CINS H42097 10 7 |

Corporate governance and compensation

Management report

Audited information according to the Swiss law and applicable regulatory requirements and guidance

Disclosures provided are in line with the requirements of the Swiss Code of Obligations (tables containing such information are marked as “Audited” throughout this section), as well as other applicable regulations and guidance.

Corporate governance

Table of contents

| | |
|------------|--|
| 165 | Corporate governance |
| 166 | Group structure and shareholders |
| 167 | Share capital structure |
| 171 | Shareholders' participation rights |
| 173 | Board of Directors |
| 189 | Group Executive Board |
| 196 | Change of control and defense measures |
| 196 | Auditors |
| 198 | Information policy |

Corporate governance

UBS Group AG is subject to, and complies with, all relevant Swiss legal and regulatory requirements regarding corporate governance, including the SIX Swiss Exchange's Directive on Information relating to Corporate Governance (the SIX Swiss Exchange Corporate Governance Directive) and the standards established in the Swiss Code of Best Practice for Corporate Governance.

The revised Swiss Code of Obligations entered into force on 1 January 2023. The correspondingly amended Articles of Association of UBS Group AG (the AoA) will be submitted to the Annual General Meeting (the AGM) on 5 April 2023 for approval. The implementation of resulting amendments based on the revised Swiss Code of Obligations will be reflected in the Annual Report 2023.

As a foreign company with shares listed on the New York Stock Exchange (the NYSE), UBS Group AG also complies with all relevant corporate governance standards applicable to foreign private issuers.

The Organization Regulations of UBS Group AG, adopted by the Board of Directors (the BoD) based on Art. 716b of the Swiss Code of Obligations and Art. 25 and 27 of the AoA, constitute our primary corporate governance guidelines.

To the extent practicable, the governance structures of UBS Group AG and UBS AG are aligned. UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a foreign private issuer with debt securities listed on the NYSE, UBS AG also complies with the relevant NYSE corporate governance standards. The discussion in this section refers to both UBS Group AG and UBS AG, unless specifically noted otherwise or unless the information discussed is relevant only to listed companies and therefore only applicable to UBS Group AG. This approach is in line with US Securities and Exchange Commission (SEC) regulations and NYSE standards.

- › Refer to the Articles of Association of UBS Group AG and of UBS AG, and to the Organization Regulations of UBS Group AG, available at ubs.com/governance and ubs.com/ubs-ag-governance, for more information
- › The SIX Swiss Exchange Corporate Governance Directive is available at ser-ag.com/content/dam/serag/downloads/regulation/listing/directives/dcg-en.pdf, the Swiss Code of Best Practice for Corporate Governance at economiesuisse.ch/en/publications/swiss-code-best-practice-corporate-governance and the NYSE rules at nyseguide.srorules.com/listed-company-manual

Differences from corporate governance standards relevant to US-listed companies

The NYSE standards on corporate governance require foreign private issuers to disclose any significant ways in which their corporate governance practices differ from those that have to be followed by domestic companies. The key differences are discussed below.

Responsibility of the Audit Committee regarding independent auditors

Our Audit Committee is responsible for the compensation, retention and oversight of independent auditors. It assesses the performance and qualifications of external auditors and submits proposals for appointment, reappointment or removal of independent auditors to the BoD. As required by the Swiss Code of Obligations, the BoD submits its proposals for a shareholder vote at the AGM. Under NYSE standards audit committees are responsible for appointing independent auditors.

Discussion of risk assessment and risk management policies by the Risk Committee

As per the Organization Regulations of UBS Group AG and UBS AG, the Risk Committee, instead of the Audit Committee, as per NYSE standards, oversees our risk principles and risk capacity on behalf of the BoD. The Risk Committee is responsible for monitoring our adherence to those risk principles and monitoring whether business divisions and control units maintain appropriate systems of risk management and control.

Supervision of the internal audit function

Although under NYSE standards only audit committees supervise internal audit functions, the Chairman of the BoD (the Chairman) and the Audit Committee share the supervisory responsibility and authority with respect to the internal audit function.

Responsibility of the Compensation Committee for performance evaluations of senior management of UBS Group AG

In line with Swiss law, our Compensation Committee, together with the BoD, proposes for shareholder approval at the AGM the maximum aggregate amount of compensation for the BoD, the maximum aggregate amount of fixed compensation for the Group Executive Board (the GEB) and the aggregate amount of variable compensation for the GEB. The members of the Compensation Committee are elected by the AGM. Under NYSE standards it is the responsibility of compensation committees to evaluate senior management's performance and to determine and approve, as a committee or together with the other independent directors, the compensation thereof.

Proxy statement reports of the Audit Committee and the Compensation Committee

NYSE standards require the aforementioned committees to submit their reports directly to shareholders. However, under Swiss law all reports to shareholders, including those from the aforementioned committees, are provided to and approved by the BoD, which has ultimate responsibility to the shareholders.

Shareholder votes on equity compensation plans

NYSE standards require shareholder approval for the establishing of and material revisions to all equity compensation plans. However, as per Swiss law, the BoD approves compensation plans. Shareholder approval is only mandatory if equity-based compensation plans require an increase in capital. No shareholder approval is required if shares for such plans are purchased in the market.

- › Refer to “Board of Directors” in this section for more information about the BoD’s committees
- › Refer to “Share capital structure” in this section for more information about UBS Group AG’s capital

Group structure and shareholders

Operational Group structure

As of 31 December 2022, the operational structure of the Group is composed of the Global Wealth Management, Personal & Corporate Banking, Asset Management and Investment Bank business divisions, as well as Group Functions.

- › Refer to the “Our businesses” section of this report for more information about our business divisions and Group Functions
- › Refer to “Financial and operating performance” and to “Note 2a Segment reporting” in the “Consolidated financial statements” section of this report for more information
- › Refer to the “Our evolution” section of this report for more information

Listed and non-listed companies belonging to the Group

The Group includes a number of consolidated entities, of which only UBS Group AG shares are listed.

UBS Group AG’s registered office is at Bahnhofstrasse 45, CH-8001 Zurich, Switzerland. UBS Group AG shares are listed on the SIX Swiss Exchange (ISIN: CH0244767585) and on the NYSE (CUSIP: H42097107).

- › Refer to “UBS shares” in the “Capital, liquidity and funding, and balance sheet” section of this report for information about UBS Group AG’s market capitalization and shares held by Group entities
- › Refer to “Note 28 Interests in subsidiaries and other entities” in the “Consolidated financial statements” section of this report for more information about the significant subsidiaries of the Group

Significant shareholders

General rules

Under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 (the FMIA), anyone directly, indirectly or acting in concert with third parties holding shares in a company listed in Switzerland or holding derivative rights related to shares in such a company directly, indirectly or in concert with third parties must notify the company and the SIX Swiss Exchange (SIX) if the holding reaches, falls below or exceeds one of the following percentage thresholds: 3, 5, 10, 15, 20, 25, 33 $\frac{1}{3}$, 50 or 66 $\frac{2}{3}$ % of voting rights, regardless of whether or not such rights may be exercised. Nominee companies that cannot autonomously decide how voting rights are exercised are not required to notify the company and SIX if they reach, exceed or fall below the aforementioned thresholds.

Pursuant to the Swiss Code of Obligations, we disclose in “Note 24 Significant shareholders” to the UBS Group AG standalone financial statements the identity of any shareholder with a holding of more than 5% of the total share capital of UBS Group AG.

Shareholders subject to FMIA disclosure notifications

According to the mandatory FMIA disclosure notifications filed with UBS Group AG and SIX, as of 31 December 2022, the following entities held more than 3% of the total share capital of UBS Group AG: BlackRock Inc., New York, which disclosed a holding of 5.23% on 29 June 2022; Dodge & Cox International Stock Fund, San Francisco, which disclosed a holding of 3.02% on 28 January 2022; Massachusetts Financial Services Company, Boston, which disclosed a holding of 3.01% on 25 June 2021; Artisan Partners Limited Partnership, Milwaukee, which disclosed a holding of 3.15% on 18 November 2020; and Norges Bank, Oslo, which disclosed a holding of 3.01% on 25 July 2019.

As registration in the UBS share register is optional, the aforementioned shareholders that crossed the indicated percentage thresholds and were required to notify their holding to UBS and SIX do not necessarily appear in the table below, as such table only discloses registered shareholders.

In accordance with the FMIA, the aforementioned holdings are calculated in relation to the total share capital of UBS Group AG reflected in the AoA at the time of the respective disclosure notification.

Information on disclosures under the FMIA is available at ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html.

Shareholders registered in the UBS share register with 3% or more of the share capital of UBS Group AG

As a supplement to the mandatory disclosure requirements according to the SIX Swiss Exchange Corporate Governance Directive, we disclose in the table below the shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) that were registered in the UBS share register with 3% or more of the total share capital of UBS Group AG as of 31 December 2022.

› Refer to “Shareholders’ participation rights” in this section for more information about voting rights, restrictions and representation

Audited I

Shareholders registered in the UBS share register with 3% or more of the total share capital¹

| % of share capital | 31.12.22 | 31.12.21 | 31.12.20 |
|---|----------|----------|----------|
| Chase Nominees Ltd., London ² | 8.60 | 8.89 | 10.39 |
| DTC (Cede & Co.), New York ^{2,3} | 7.12 | 5.78 | 4.99 |
| Nortrust Nominees Ltd., London ² | 4.33 | 4.80 | 5.15 |

¹ As registration in the UBS share register is optional, shareholders crossing the threshold percentages requiring SIX notification under the FMIA do not necessarily appear in this table. ² Nominee companies and securities clearing organizations cannot autonomously decide how voting rights are exercised and are therefore not obligated to notify UBS and SIX if they reach, exceed or fall below the threshold percentages requiring disclosure notification under the FMIA. Consequently, they do not appear in the “Shareholders subject to FMIA disclosure notifications” section above. ³ DTC (Cede & Co.), New York, “The Depository Trust Company,” is a US securities clearing organization.

Cross-shareholdings

UBS Group AG has no cross-shareholdings where reciprocal ownership would be in excess of 5% of capital or voting rights with any other company.

Share capital structure

Ordinary share capital

At year-end 2022, UBS Group AG had 3,524,635,722 issued shares with a nominal value of CHF 0.10 each, equating to a share capital of CHF 352,463,572.20.

Under Swiss company law, shareholders must approve, in a general meeting of shareholders, any increase or reduction in the ordinary share capital or the creation of conditional or authorized share capital.

In 2022, our shareholders were asked to approve a reduction of share capital by way of canceling 177,787,273 registered shares repurchased under the 2021 share buyback program.

In 2022, our shareholders were not asked to approve the creation of conditional or authorized share capital.

No shares were issued out of existing conditional capital, as there were no employee options and stock appreciation rights outstanding.

Following revisions to Swiss Corporate Law that are effective from 1 January 2023, the BoD will propose at the 2023 AGM that the shareholders approve the conversion of the share capital currency of UBS Group AG from the Swiss franc to the US dollar.

› Refer to “Share information and earnings per share” in the “Consolidated financial statements” section of this report for information about the conversion of the share capital currency

Distribution of UBS shares

| As of 31 December 2022 | Shareholders registered | | Shares registered | |
|------------------------------------|-------------------------|--------------|----------------------------|--------------------|
| | Number | % | Number | % of shares issued |
| <i>Number of shares registered</i> | | | | |
| 1–100 | 21 641 | 11.6 | 1 189 373 | 0.0 |
| 101–1,000 | 95 818 | 51.4 | 45 447 811 | 1.3 |
| 1,001–10,000 | 62 369 | 33.4 | 182 418 473 | 5.2 |
| 10,001–100,000 | 6 086 | 3.3 | 144 786 290 | 4.1 |
| 100,001–1,000,000 | 512 | 0.3 | 149 728 515 | 4.2 |
| 1,000,001–5,000,000 | 83 | 0.0 | 178 206 417 | 5.1 |
| 5,000,001–35,246,357 (1%) | 24 | 0.0 | 253 068 282 | 7.2 |
| 1–2% | 3 | 0.0 | 134 680 829 | 3.8 |
| 2–3% | 0 | 0.0 | 0 | 0.0 |
| 3–4% | 0 | 0.0 | 0 | 0.0 |
| 4–5% | 1 | 0.0 | 152 567 310 | 4.3 |
| Over 5% | 2 ¹ | 0.0 | 553 962 520 | 15.7 |
| Total shares registered | 186 539 | 100.0 | 1 796 055 820 ² | 51.0 |
| Shares not registered ³ | | | 1 728 579 902 | 49.0 |
| Total | 186 539 | 100.0 | 3 524 635 722 | 100.0 |

¹ On 31 December 2022, Chase Nominees Ltd., London, entered as a nominee, was registered with 8.60% of all UBS shares issued. However, according to the provisions of UBS Group AG, voting rights of nominees are limited to a maximum of 5% of all UBS shares issued. The US securities clearing organization DTC (Cede & Co.), New York, was registered with 7.12% of all UBS shares issued and is not subject to this 5% voting limit as a securities clearing organization. ² Of the total shares registered, 264,874,790 shares did not carry voting rights. ³ Shares not entered in the UBS share register as of 31 December 2022.

Conditional share capital

At year-end 2022, the following conditional share capital was available to UBS Group AG's BoD.

- A maximum of CHF 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments on national or international capital markets. This conditional capital allowance was approved at the Extraordinary General Meeting (the EGM) held on 26 November 2014, having originally been approved at the AGM of UBS AG on 14 April 2010. The BoD has not made use of such allowance.
- A maximum of CHF 12,170,583 represented by 121,705,830 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued upon exercise of employee options and stock appreciation rights issued to employees and members of the management and of the BoD of UBS Group AG and its subsidiaries. This conditional capital allowance was approved by the shareholders at the same EGM in 2014.
 - › Refer to article 4a of the AoA for more information about the terms and conditions of the issue of shares out of existing conditional capital. The AoA are available at ubs.com/governance
 - › Refer to the "Our evolution" section of this report for more information

Conditional capital of UBS Group AG

| As of 31 December 2022 | Maximum number of shares to be issued | Year approved by Extraordinary General Meeting | % of shares issued |
|---|---------------------------------------|--|--------------------|
| Employee equity participation plans | 121,705,830 | 2014 | 3.45 |
| Conversion rights / warrants granted in connection with bonds | 380,000,000 | 2014 | 10.78 |
| Total | 501,705,830 | | 14.23 |

Authorized share capital

UBS Group AG had no authorized capital available to issue on 31 December 2022.

Changes in capital

In accordance with International Financial Reporting Standards (IFRS), Group equity attributable to shareholders was USD 56.9bn as of 31 December 2022 (2021: USD 60.7bn; 2020: USD 59.4bn). The equity of UBS Group AG shareholders was represented by 3,524,635,722 issued shares as of 31 December 2022 (31 December 2021: 3,702,422,995 shares; 31 December 2020: 3,859,055,395 shares).

- › Refer to "Statement of changes in equity" in the "Consolidated financial statements" section of this report for more information about changes in shareholders' equity over the last three years

Ownership

Ownership of UBS Group AG shares is widely spread. The tables in this section provide information about the distribution of UBS Group AG shareholders by category and geographic location. This information relates only to shareholders registered in the UBS share register and cannot be assumed to be representative of UBS Group AG's entire investor base or the actual beneficial ownership. Only shareholders registered in the share register as "shareholders with voting rights" are entitled to exercise voting rights.

- › Refer to "Shareholders' participation rights" in this section for more information

As of 31 December 2022, 1,531,181,030 UBS Group AG shares were registered in the share register and carried voting rights, 264,874,790 shares were registered in the share register without voting rights, and 1,728,579,902 shares were not registered in the UBS share register. All shares were fully paid up and eligible for dividends. There are no preferential rights for shareholders, and no other classes of shares have been issued by UBS Group AG.

Shareholders, legal entities and nominees: type and geographical distribution

| As of 31 December 2022 | Shareholders registered | | | | | | | |
|---|-------------------------|--------------|----------------|------------|------------|------------|----------------|--------------|
| | Individual shareholders | | Legal entities | | Nominees | | Total | |
| | Number | % | Number | % | Number | % | Number | % |
| Individual shareholders | 182 738 | 98.0 | | | | | | |
| Legal entities | | | 3 646 | 1.9 | | | | |
| Nominees, fiduciaries | | | | | 155 | 0.1 | | |
| Total shares registered | 186 539 | 100.0 | | | | | | |
| Shares not registered | | | | | | | | |
| Total | 186 539 | 100.0 | | | | | | |
| | Individual shareholders | | Legal entities | | Nominees | | Total | |
| | Number | % | Number | % | Number | % | Number | % |
| Americas | 1 710 | 0.9 | 93 | 0.1 | 78 | 0.0 | 1 881 | 1.0 |
| <i>of which: USA</i> | <i>1 235</i> | <i>0.7</i> | <i>52</i> | <i>0.0</i> | <i>75</i> | <i>0.0</i> | <i>1 362</i> | <i>0.7</i> |
| Asia Pacific | 5 008 | 2.7 | 93 | 0.0 | 9 | 0.0 | 5 110 | 2.7 |
| Europe, Middle East and Africa | 12 068 | 6.5 | 243 | 0.1 | 40 | 0.0 | 12 351 | 6.6 |
| <i>of which: Germany</i> | <i>3 821</i> | <i>2.0</i> | <i>30</i> | <i>0.0</i> | <i>3</i> | <i>0.0</i> | <i>3 854</i> | <i>2.1</i> |
| <i>of which: UK</i> | <i>4 563</i> | <i>2.4</i> | <i>8</i> | <i>0.0</i> | <i>7</i> | <i>0.0</i> | <i>4 578</i> | <i>2.5</i> |
| <i>of which: rest of Europe</i> | <i>3 415</i> | <i>1.8</i> | <i>201</i> | <i>0.0</i> | <i>29</i> | <i>0.0</i> | <i>3 645</i> | <i>2.0</i> |
| <i>of which: Middle East and Africa</i> | <i>269</i> | <i>0.1</i> | <i>4</i> | <i>0.0</i> | <i>1</i> | <i>0.0</i> | <i>274</i> | <i>0.1</i> |
| Switzerland | 163 952 | 87.9 | 3 217 | 1.7 | 28 | 0.0 | 167 197 | 89.6 |
| Total shares registered | | | | | | | | |
| Shares not registered | | | | | | | | |
| Total | 182 738 | 98.0 | 3 646 | 1.9 | 155 | 0.1 | 186 539 | 100.0 |

At year-end 2022, UBS owned 416,909,010 UBS Group AG registered shares, which corresponded to 11.83% of the total share capital of UBS Group AG. At the same time, UBS had acquisition positions relating to 440,347,367 voting rights of UBS Group AG and disposal positions relating to 182,025,794 such rights, corresponding to 12.49% and 5.16% of the total voting rights of UBS Group AG, respectively. Of the disposal positions, 177,610,490 related to voting rights on shares deliverable in respect of employee awards. The calculation methodology for the acquisition and disposal positions is based on the Ordinance of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading, which states that all future potential share delivery obligations, irrespective of the contingent nature of the delivery, must be considered.

Employee share ownership

Employee share ownership is encouraged and made possible in a variety of ways. Our Equity Plus Plan is a voluntary plan that provides eligible employees with the opportunity to purchase UBS Group AG shares at market value and receive, at no additional cost, one notional UBS Group AG share for every three shares purchased. Additional shares vest after a maximum of three years, provided the employee remains employed by UBS and has retained the purchased shares throughout the holding period. The Equity Ownership Plan (the EOP) is a mandatory deferral plan for all employees (except GEB members) with regulatory-driven deferral requirements or total compensation greater than USD / CHF 300,000. EOP recipients receive a portion of their deferred performance award in notional shares (or notional funds for employees in Investment Areas within Asset Management). GEB members receive the equity-based Long-Term Incentive Plan (the LTIP) instead of the EOP. Both the EOP and LTIP include employment conditions and malus conditions that allow the firm to reduce or fully forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. In addition, forfeiture is triggered in cases where employment has been terminated for cause. Underlining our emphasis on sustainable performance and risk management, and our focus on achieving growth ambitions, LTIP awards will only vest if predetermined performance conditions are met.

On 31 December 2022, UBS employees held at least 7.9% of UBS shares outstanding (including approximately 5.05% in unvested deferred notional shares from our compensation programs). These figures are based on known shareholding information from employee participation plans, personal holdings with UBS and selected individual retirement plans. At the end of 2022, at least 25.5% of all employees held UBS shares through the firm's employee share participation plans.

› Refer to the "Compensation" section of this report for more information

Trading restrictions in UBS shares

UBS employees with regular access to unpublished price-sensitive information about the firm are subject to specific restrictions in respect to UBS financial instruments, including, but not limited to, pre-clearance requirements and regular blackout periods. Such UBS employees are not permitted to trade UBS financial instruments in the period starting from the close of business in New York on the seventh business day of the final month of the financial quarter of UBS Group AG and ending on the day of the publication of the quarterly financial results.

Shares and participation certificates

UBS Group AG has a single class of shares, which are registered shares in the form of uncertificated securities (in the sense of the Swiss Code of Obligations) and intermediary-held securities (in the sense of the Swiss Federal Act on Intermediated Securities). Each registered share has a nominal value of CHF 0.10 and carries one vote, subject to the restrictions set out under "Transferability, voting rights and nominee registration" below.

We have no participation certificates outstanding.

Shareholders, legal entities and nominees: type and geographical distribution (continued)

| As of 31 December 2022 | | | | | | | Shares registered | |
|---|-------------------------|-------------|--------------------|-------------|--------------------|-------------|----------------------|--------------|
| | | | | | | | Number | % |
| Individual shareholders | | | | | | | 384 263 314 | 10.9 |
| Legal entities | | | | | | | 490 864 772 | 13.9 |
| Nominees, fiduciaries | | | | | | | 920 927 734 | 26.1 |
| Total shares registered | | | | | | | 1 796 055 820 | 51.0 |
| Shares not registered | | | | | | | 1 728 579 902 | 49.0 |
| Total | | | | | | | 3 524 635 722 | 100.0 |
| | Individual shareholders | | Legal entities | | Nominees | | Total | |
| | Number of shares | % | Number of shares | % | Number of shares | % | Number of shares | % |
| Americas | 2 427 163 | 0.1 | 29 166 035 | 0.8 | 342 441 815 | 9.7 | 374 035 013 | 10.6 |
| <i>of which: USA</i> | <i>935 175</i> | <i>0.0</i> | <i>21 746 373</i> | <i>0.6</i> | <i>342 247 810</i> | <i>9.7</i> | <i>364 929 358</i> | <i>10.4</i> |
| Asia Pacific | 19 829 362 | 0.6 | 12 908 549 | 0.4 | 7 244 419 | 0.2 | 39 982 330 | 1.1 |
| Europe, Middle East and Africa | 42 154 279 | 1.2 | 72 455 397 | 2.1 | 557 324 269 | 15.8 | 671 933 945 | 19.1 |
| <i>of which: Germany</i> | <i>11 365 680</i> | <i>0.3</i> | <i>1 841 712</i> | <i>0.1</i> | <i>11 597 965</i> | <i>0.4</i> | <i>24 805 357</i> | <i>0.7</i> |
| <i>of which: UK</i> | <i>19 125 762</i> | <i>0.5</i> | <i>280 984</i> | <i>0.0</i> | <i>517 282 579</i> | <i>14.7</i> | <i>536 689 325</i> | <i>15.2</i> |
| <i>of which: rest of Europe</i> | <i>10 608 646</i> | <i>0.3</i> | <i>31 497 076</i> | <i>0.9</i> | <i>28 310 742</i> | <i>0.8</i> | <i>70 416 464</i> | <i>2.0</i> |
| <i>of which: Middle East and Africa</i> | <i>1 054 191</i> | <i>0.0</i> | <i>38 835 625</i> | <i>1.1</i> | <i>132 983</i> | <i>0.0</i> | <i>40 022 799</i> | <i>1.1</i> |
| Switzerland | 319 852 510 | 9.1 | 376 334 791 | 10.7 | 13 917 231 | 0.4 | 710 104 532 | 20.1 |
| Total shares registered | 384 263 314 | 10.9 | 490 864 772 | 13.9 | 920 927 734 | 26.1 | 1 796 055 820 | 51.0 |
| Shares not registered | 0 | | 0 | | 0 | | 1 728 579 902 | 49.0 |
| Total | 384 263 314 | 10.9 | 490 864 772 | 13.9 | 920 927 734 | 26.1 | 3 524 635 722 | 100.0 |

Our shares are listed on the NYSE as global registered shares. As such, they can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies.

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

Distributions to shareholders

The decision to pay a dividend and the amount of any dividend depend on a variety of factors, including our profits, cash flow generation and capital ratios.

At the 2023 AGM, the BoD is proposing to shareholders for approval a dividend of USD 0.55 per share for the 2022 financial year. Shareholders whose shares are held through SIX SIS AG will receive dividends in Swiss francs, based on a public exchange rate on the day prior to the ex-dividend date. Shareholders holding shares through The Depository Trust Company in New York and Computershare will be paid dividends in US dollars.

In compliance with Swiss tax law, 50% of the dividend will be paid out of retained earnings and the balance will be paid out of the capital contribution reserve. Dividends paid out of capital contribution reserves are not subject to Swiss withholding tax. The portion of the dividend paid out of retained earnings will be subject to a 35% Swiss withholding tax. For US federal income tax purposes, we expect that the dividend will be paid out of current or accumulated earnings and profits.

Provided that the proposed dividend distribution out of retained earnings and out of the capital contribution reserve will be approved at the AGM on 5 April 2023, the payment of USD 0.55 per share will be made on 14 April 2023 to holders of shares on the record date 13 April 2023. The shares will be traded ex-dividend as of 12 April 2023 and, accordingly, the last day on which the shares may be traded with entitlement to receive the dividend will be 11 April 2023.

In February 2022, the BoD announced a new two-year share buyback program. At the 2022 AGM, the shareholders authorized the BoD to buy back shares for cancellation purposes in an aggregate value of up to USD 6bn until the 2024 AGM. Any shares bought back under the program are intended to be canceled by way of capital reduction, which will be subject to shareholder approval at one or several subsequent AGMs, and the acquisition and holding of such shares are not subject to the 10% threshold for UBS Group AG's own shares within the meaning of Art. 659 para. 1 of the Swiss Code of Obligations. The 2021 share repurchase program was concluded on 29 March 2022 with a total of 240,335,273 shares repurchased, at an overall purchase price of CHF 3.81bn. A total of 177,787,273 shares purchased up to 18 February 2022 were canceled in June 2022 upon approval at the 2022 AGM of UBS Group AG. The remaining 62,548,000 shares, repurchased between 21 February 2022 and 29 March 2022, are expected to be canceled by means of a capital reduction, to be proposed for shareholder approval at the 2023 AGM.

Looking ahead, we intend to commence a new, 2023 share repurchase program of up to USD 6bn over two years and expect to execute more than USD 5bn of share repurchases under both the existing, 2022 repurchase program and the new program in 2023.

› Refer to “UBS shares” in the “Capital, liquidity and funding, and balance sheet” section of this report for more information about the share repurchase programs

Transferability, voting rights and nominee registration

We do not apply any restrictions or limitations on the transferability of shares. Voting rights may be exercised without any restrictions by shareholders entered into the share register if they expressly render a declaration of beneficial ownership according to the provisions of the AoA.

We have special provisions for the registration of nominees. Nominees are entered in the share register with voting rights up to a total of 5% of all issued UBS Group AG shares if they agree to disclose, upon our request, beneficial owners holding 0.3% or more of all issued UBS Group AG shares. An exception to the 5% voting limit rule is in place for securities clearing organizations, such as The Depository Trust Company in New York.

- › Refer to “Shareholders’ participation rights” in this section for more information

Convertible bonds and options

As of 31 December 2022, there were no contingent capital securities or convertible bonds outstanding requiring the issuance of new shares.

- › Refer to the “Capital, liquidity and funding, and balance sheet” section of this report for more information about our outstanding capital instruments

As of 31 December 2022, there were no employee options and stock appreciation rights outstanding. Option-based compensation plans are sourced by issuing new shares out of conditional capital. As of 31 December 2022, 121,705,830 unissued UBS Group AG shares in conditional share capital were available for the issuance of new shares for this purpose.

- › Refer to “Conditional share capital” in this section for more information
- › Refer to “Note 27 Employee benefits: variable compensation” in the “Consolidated financial statements” section of this report for more information about outstanding options and stock appreciation rights

Shareholders’ participation rights

We are committed to shareholder participation in decision-making processes. Our online voting platform offers registered shareholders a convenient log-in and online voting process. Registered shareholders are sent personal invitations to the general meetings. Together with the invitation materials, they receive a personal one-time password and a QR code to easily log in to the online voting platform, where they can enter their voting instructions or order an admission card for the general meeting.

Shareholders who choose not to receive the comprehensive invitation materials are informed of upcoming general meetings by a short letter containing a personal one-time password, a QR code for online voting and a reference to ubs.com/aggm, where all information for the upcoming meeting is available.

General meetings offer shareholders the opportunity to raise questions for the BoD, GEB and internal and external auditors. During the pandemic, when the general meetings 2020–2022 had to be held without the physical attendance of shareholders, we also offered all shareholders the opportunity to contact us with questions, which were answered in writing or during the general meeting.

Voting rights, restrictions and representation

We place no restrictions on share ownership and voting rights. However, pursuant to general principles formulated by the BoD, nominee companies, which normally represent a large number of individual shareholders and may hold an unlimited number of shares, have voting rights limited to a maximum of 5% of all issued UBS Group AG shares. This is to avoid large shareholders being entered in UBS’s share register via nominee companies so as to exercise influence without directly registering their shares with UBS. Securities clearing organizations, such as The Depository Trust Company in New York, are not subject to this 5% voting limit.

Shareholders can exercise voting rights conferred by shares only if they are registered in our share register with voting rights. To register, shareholders must confirm that they have acquired UBS Group AG shares in their own name and for their own account. Nominee companies are required to sign an agreement confirming their willingness to disclose, upon our request, individual beneficial owners holding more than 0.3% of all issued UBS Group AG shares.

All shareholders registered with voting rights are entitled to participate in general meetings. If they do not wish to attend in person, they may issue instructions to support, reject or abstain for each individual item on the meeting agenda, either by giving instructions to an independent proxy in accordance with article 14 of the AoA or by appointing another registered shareholder of their choice to vote on their behalf. Alternatively, registered shareholders may issue their voting instructions to the independent proxy electronically through our online voting platform. Nominee companies normally submit the proxy material to the beneficial owners and forward the collected votes to the independent proxy.

- › Refer to article 14 of the AoA, available at ubs.com/governance, for more information about the issuing of instructions to independent voting right representatives

Statutory quorums

Motions are decided at a general meeting by an absolute majority of the votes cast, excluding blank and invalid ballots. For the approval of certain specific issues, the Swiss Code of Obligations requires a positive vote from a two-thirds majority of the votes represented at the given general meeting and from a majority of the nominal value of shares represented thereat. Such issues include creating shares with privileged voting rights, introducing restrictions on the transferability of registered shares, authorizing contingent capital or a capital band and restricting or excluding shareholders' preemptive rights.

The AoA also require a two-thirds majority of votes represented for approval of any change to their provisions regarding the number of BoD members, any decision to remove one-quarter or more of the BoD members and any modification to the provision establishing this qualified quorum.

Votes and elections are generally conducted electronically to ascertain the exact number of votes cast. Voting by a show of hands is possible if a clear majority is predictable. Shareholders representing at least 3% of the votes represented may request that a vote or election be carried out electronically or by written ballot. To allow shareholders to clearly express their views on all individual topics, each agenda item is separately put to a vote and BoD members are elected on a person-by-person basis.

Convocation of general meetings of shareholders

The AGM must be held within six months of the close of the financial year (i.e., 31 December). In 2023, the AGM will take place on 5 April.

Extraordinary general meetings (EGMs) may be convened whenever the BoD or the auditors consider it necessary. Shareholders individually or jointly representing at least 10% of the share capital may at any time, including during an AGM, require, by way of a written statement, that an EGM be convened to address a specific issue they put forward.

A personal invitation, including a detailed agenda, is made available to every registered shareholder at least 20 days ahead of each scheduled general meeting. The items on the agenda are also published in the Swiss Official Gazette of Commerce, as well as at ubs.com/agm.

Placing of items on the agenda

Pursuant to our AoA, shareholders individually or jointly representing shares with an aggregate minimum nominal value of CHF 62,500 may submit proposals for matters to be placed on the agenda for consideration at the next general meeting of shareholders.

At the beginning of January, the invitation to submit such proposals is published in the Swiss Official Gazette of Commerce and at ubs.com/agm. Requests for items to be placed on the agenda must include the actual motions to be put forward, together with a short explanation. Such requests must be submitted to the BoD at least 50 days prior to the general meeting of shareholders, including a statement from the depository bank confirming the number of shares held by the requesting shareholder(s) and that these shares are blocked from sale until the end of the general meeting of shareholders. The BoD formulates opinions on the proposals, which are published together with the motions.

Registrations in the share register

The share register of UBS Group AG, where around 185,000 shareholders are directly registered, is an internal, non-public register subject to statutory confidentiality, secrecy, privacy and data protection regulations protecting registered shareholders. In general, third parties and shareholders have no inspection rights with regard to data related to other shareholders. Disclosure of such data is permitted only in specific and limited instances. In line with the Swiss Federal Act on Data Protection, the disclosure of personal data as defined thereunder is only allowed with the consent of the registered shareholder and in cases where there is an overriding private or public interest or if explicitly provided for by Swiss law. The Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading contains specific reporting duties, such as in relation to significant shareholders (refer to "Significant shareholders" in this section for more information). Disclosure may also be required or requested by a court of a competent jurisdiction, by any regulatory body that regulates the conduct of UBS Group AG or by other statutory provisions.

The general rules for entry into our Swiss share register with voting rights are described in article 5 of our AoA. The same rules apply to our US transfer agent that operates the US share register for all UBS Group AG shares in a custodian account in the US, where some 255,000 US shareholders are indirectly registered via nominee companies. In order to determine the voting rights of each shareholder, our share register generally closes two business days prior to a general meeting. Our independent proxy agent processes voting instructions from shareholders as long as technically possible, generally also until two business days before a general meeting. Such technical closure of our share register facilitates the determination of the actual voting rights of every shareholder that issued a voting instruction. Irrespective of this technical closure, shares that are registered in our share register are never immobilized and are freely tradable at any time, irrespective of any issued voting instructions.

› Refer to article 5 of our AoA, available at ubs.com/governance, for more information about the general rules for entry into our Swiss share register

Board of Directors

The BoD of UBS Group AG, led by the Chairman, consists of between 6 and 12 members, as per our AoA.

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

The BoD of UBS AG, led by the Chairman, decides on the strategy of UBS AG upon recommendation by the President of its Executive Board and exercises the ultimate supervision of management. Its ultimate responsibility for the success of UBS AG is exercised subject to the parameters set by the Group.

Members of the Board of Directors

At the AGM on 6 April 2022, Jeremy Anderson, Claudia Böckstiegel, William C. Dudley, Patrick Firmenich, Fred Hu, Mark Hughes, Nathalie Rachou, Julie G. Richardson, Dieter Wemmer and Jeanette Wong were re-elected as members of the BoD. The Chairman, Axel A. Weber, and Reto Francioni did not stand for re-election; the biographies of Mr. Weber and Mr. Francioni can be found on pages 194 and 197 of the UBS Group AG Annual Report 2021, available under "Annual reporting" at ubs.com/investors. Colm Kelleher and Lukas Gähwiler were elected for their first terms, as the new Chairman and a new Board member, respectively. At that same AGM, Julie G. Richardson, Dieter Wemmer and Jeanette Wong were re-elected as members of the Compensation Committee. ADB Altorfer Duss & Beilstein AG was re-elected as independent proxy agent. Following their election, the BoD appointed Lukas Gähwiler as Vice Chairman and Jeremy Anderson as Senior Independent Director of UBS Group AG.

Article 31 of our AoA limits the number of mandates that members of the BoD may hold outside UBS Group to four mandates in listed companies and five additional mandates in non-listed companies. Mandates in companies that are controlled by us or that control us are not subject to this limitation. In addition, members of the BoD may hold no more than 10 mandates at UBS's request and 10 mandates in associations, charitable organizations, foundations, trusts, and employee welfare foundations. As of 31 December 2022, no member of the BoD reached the thresholds described in article 31 of our AoA.

The following biographies provide information about the BoD members who were in office after the 2022 AGM and the Group Company Secretary. In addition to information on mandates, the biographies include information on memberships or other activities or functions, as required by the SIX Swiss Exchange Corporate Governance Directive.

No member of the BoD currently carries out or has carried out over the past three years operational management tasks within the Group; therefore, all members of the Board are non-executive members.

All members of UBS Group AG's BoD are also members of UBS AG's BoD, and committee membership is the same for both entities. The Senior Independent Director function relates only to UBS Group AG.

In 2022, UBS AG's BoD had three permanent committees: the Audit Committee, the Compensation Committee and the Risk Committee. In addition to these, UBS Group AG also had the Corporate Culture and Responsibility Committee and the Governance and Nominating Committee as permanent committees.



Colm Kelleher

Chairman of the Board of Directors and non-executive member of the Board since 2022

- Chairperson of the Corporate Culture and Responsibility Committee since 2022
- Chairperson of the Governance and Nominating Committee since 2022

Nationality: Irish | **Year of birth:** 1957

Colm Kelleher was elected Chairman of UBS in April 2022. He served as President of Morgan Stanley until retiring from that firm in 2019, overseeing both the Institutional Securities Business and Wealth Management. Before that, he was Co-President and then President of Morgan Stanley Institutional Securities. During the global financial crisis, he held the position of CFO and Co-Head Corporate Strategy from 2007 to 2009. Mr. Kelleher is a well-respected leader in the financial services sector. His 30-year career with Morgan Stanley attests to his solid leadership experience in banking and excellent relationships around the world. He has a deep understanding of the global banking landscape and broad banking experience across all the geographic regions and major business areas in which UBS operates.

Professional experience

| | |
|-------------|---|
| 2016 – 2019 | President, Morgan Stanley, responsible for Institutional Securities and Wealth Management |
| 2011 – 2016 | CEO of Morgan Stanley International, Morgan Stanley |
| 2013 – 2015 | President, Institutional Securities, Morgan Stanley |
| 2010 – 2012 | Co-President, Institutional Securities, Morgan Stanley |
| 2007 – 2009 | CFO and Co-Head Corporate Strategy, Morgan Stanley |
| 2006 – 2007 | Head Global Capital Markets, Morgan Stanley |
| 2004 – 2006 | Co-Head Fixed Income, Europe, Morgan Stanley |
| 1989 – 2004 | Various roles, Morgan Stanley |

Education

- Master's degree, modern history, University of Oxford
- Fellow of the Institute of Chartered Accountants in England and Wales

Listed company boards

- Member of the Board of Norfolk Southern Corporation (chair of the risk and finance committee)

Other activities and functions

- Member of the Board of Directors of the Bretton Woods Committee
- Member of the Board of the Swiss Finance Council
- Member of the Board of Americans for Oxford
- Member of the Oxford Chancellor's Court of Benefactors
- Member of the Advisory Council of the British Museum
- Member of the International Advisory Council of the China Securities Regulatory Commission
- Member of the European Financial Services Round Table
- Member of the European Banking Group
- Member of the International Monetary Conference

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Risk management, compliance and legal

Leadership experience

- CEO, Chairman



Lukas Gähwiler

Vice Chairman and non-executive member of the Board since 2022

Nationality: Swiss | **Year of birth:** 1965

Lukas Gähwiler brings a wealth of industry experience and an in-depth understanding of UBS to the Board. He served as Chairman of the Board of UBS Switzerland AG for five years and was a member of the Group Executive Board of UBS and President UBS Switzerland from 2010 to 2016, responsible for the private clients, wealth management, corporate and institutional clients, investment banking, and asset management businesses in UBS's home market. Before joining UBS, Mr. Gähwiler worked for Credit Suisse for over twenty years, his last role being Chief Credit Officer, Global Private and Corporate Banking. In addition to his leadership and industry experience across all parts of the banking business, his strong connections and network, particularly in Switzerland, are instrumental for the firm.

Professional experience

| | |
|-------------|--|
| 2017 – 2022 | Chairman of the Board of Directors of UBS Switzerland AG |
| 2010 – 2016 | Member of the Group Executive Board, UBS and President UBS Switzerland |
| 2003 – 2010 | Chief Credit Officer, Global Private and Corporate Banking, Credit Suisse |
| 2002 – 2003 | Head Credit Risk Management, Corporate Clients Switzerland, Credit Suisse |
| 1998 – 2001 | Chief of Staff to CEO, Private and Corporate Clients, Credit Suisse |
| 1990 – 1998 | Various senior front office roles in Corporate Clients in Switzerland and North America, Credit Suisse |
| 1981 – 1986 | Client Advisor Retail and Wealth Management, St.Galler Kantonalbank |

Education

- Advanced Management Program, Harvard Business School
- MBA program, International Bankers School, New York
- Bachelor's degree, business administration, University of Applied Sciences, St. Gallen

Non-listed company boards

- Vice Chairman of the Board of Directors of Pilatus Aircraft Ltd
- Member of the Board of Directors of Ringier AG

Other activities and functions

- Vice Chairman of the Swiss Bankers Association
- Chairman of the Employers Association of Banks in Switzerland
- Member of the Board of Directors of the Swiss Employers Association
- Member of the Board of economiesuisse
- Chairman of the Foundation Board of the UBS Pension Fund
- Member of the Board of the Swiss Finance Council
- Member of the Board of Trustees of Avenir Suisse

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Finance, audit, accounting
- Risk management, compliance and legal
- Human resources management, including compensation

Leadership experience

- CEO, Chairman



Jeremy Anderson

Senior Independent Director since 2020 and non-executive member of the Board since 2018

- Member of the Governance and Nominating Committee since 2019
- Chairperson of the Audit Committee since 2018

Nationality: British | **Year of birth:** 1958

Jeremy Anderson is a financial services veteran, with more than 30 years' experience working in the banking and insurance sector in an advisory capacity, covering a broad range of topics, including strategy, audit and risk management, technology-enabled transformation, mergers, and bank restructuring. Before retiring from KPMG in 2017, he was its Chairman of Global Financial Services. Mr. Anderson is also an IT expert, having started out as a software developer in the early 1980s, before working in IT consulting and developing a broad knowledge of systems integration and IT outsourcing services, as well as software development. He cemented his reputation as a tech specialist by becoming a founding sponsor of KPMG's Global Fintech Network in 2014.

Professional experience

| | |
|-------------|--|
| 2010 – 2017 | Chairman of Global Financial Services, KPMG International |
| 2008 – 2011 | Head of Clients and Markets KPMG Europe, KPMG International |
| 2006 – 2011 | Head of Financial Services KPMG Europe, KPMG International |
| 2004 – 2006 | Head of Financial Services KPMG UK, KPMG International |
| 2002 – 2004 | Member of the Group Management Board and Head of UK operations, Atos Origin SA |
| 1985 – 2002 | KPMG consulting UK, KPMG |
| 1980 – 1985 | Software developer, Triad Computing Systems |

Education

- Bachelor's degree, economics, University College London

Listed company boards

- Member of the Board of Prudential plc

Other activities and functions

- Trustee of the UK's Productivity Leadership Group
- Trustee of The Kingham Hill Trust
- Trustee of St. Helen's Bishopsgate

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Finance, audit, accounting
- Risk management, compliance and legal
- Technology, cybersecurity

Leadership experience

- Executive board leadership



Claudia Böckstiegel

Non-executive member of the Board since 2021

- Member of the Corporate Culture and Responsibility Committee since 2022

Nationality: Swiss and German | **Year of birth:** 1964

Claudia Böckstiegel has been General Counsel and a member of the Enlarged Executive Committee of Roche Holding AG since 2020. She started her professional career as an attorney in private practice in Germany, then joined the Swiss pharmaceutical company Roche in Germany in 2001 and subsequently held various global management positions in the legal sector in Switzerland. Ms. Böckstiegel brings a wealth of know-how in a highly regulated sector. Her responsibilities at Roche Holding AG include a broad range of additional topics, such as safety, health and environment, patents, audit and risk advisory, compliance, and sustainability.

Professional experience

| | |
|-------------|--|
| 2020 – date | General Counsel and member of the Enlarged Executive Committee, Roche Holding AG |
| 2016 – 2020 | Head of Legal Diagnostics, F. Hoffmann-La Roche Ltd., Basel, Switzerland, Roche Group |
| 2010 – 2016 | Head Legal Business, Roche Diagnostics International Ltd, Rotkreuz, Switzerland, Roche Group |
| 2005 – 2010 | Head Legal Business, Roche Diagnostics GmbH, Mannheim, Germany, Roche Group |
| 2001 – 2005 | Legal Counsel, Roche Diagnostics GmbH, Mannheim, Germany, Roche Group |
| 1995 – 2001 | Attorney (Partner), Philipp & Littig, Mannheim, Germany |
| 1992 – 1995 | Attorney (Associate), Dr. Hermann Büttner, Karlsruhe, Germany |

Education

- Master's degree, law, Universities of Mannheim and Heidelberg
- Master of Laws (LL.M.), Georgetown University, Washington, DC

Other activities and functions

- None

Key competencies

- Finance, audit, accounting
- Risk management, compliance and legal
- Regulatory authority, central bank
- ESG (environmental, social and governance)

Leadership experience

- Executive board leadership



William C. Dudley

Non-executive member of the Board since 2019

- Member of the Corporate Culture and Responsibility Committee since 2019
- Member of the Risk Committee since 2019

Nationality: American (US) | **Year of birth:** 1953

William C. Dudley served as the President and CEO of the Federal Reserve Bank of New York for nine years. He demonstrated exceptional leadership in monetary policy and as a top regulator, including during the years of the global financial crisis. During that period, his additional area of focus included cultural behavior and social and governance topics in the financial services industry. He also served as the Vice Chairman and a permanent member of the Federal Open Market Committee. Mr. Dudley brings a wealth of experience in banking and research thanks to his former management positions at Goldman Sachs Group and Morgan Guaranty Trust.

Professional experience

| | |
|-------------|---|
| 2009 – 2018 | President and CEO, Federal Reserve Bank of New York |
| 2007 – 2009 | Executive Vice President and Head Markets Group, Federal Reserve Bank of New York |
| 2006 | Senior advisor (part-time), Goldman Sachs Group |
| 2002 – 2005 | Partner and Director US Economic Research Group, Goldman Sachs Group |
| 1996 – 2002 | Managing Director and Director US Economic Research Group, Goldman Sachs Group |
| 1983 – 1996 | Economist at Goldman Sachs Group, Morgan Guaranty Trust Company, and Board of Governors of the Federal Reserve System |

Education

- Bachelor of Arts, New College of Florida
- Doctorate, economics, University of California, Berkeley

Non-listed company boards

- Member of the Board of Treliant LLC

Other activities and functions

- Senior Advisor to the Griswold Center for Economic Policy Studies, Princeton University
- Member of the Group of Thirty
- Member of the Council on Foreign Relations
- Chairman of the Bretton Woods Committee Board of Directors
- Member of the Board of the Council for Economic Education
- Opinion writer and consultant to Bloomberg Economics, Bloomberg

Key competencies

- Investment banking, capital markets
- Risk management, compliance and legal
- Regulatory authority, central bank
- ESG (environmental, social and governance)

Leadership experience

- CEO, Chairman



Patrick Firmenich

Non-executive member of the Board since 2021

- Member of the Audit Committee since 2021
- Member of the Corporate Culture and Responsibility Committee since 2021

Nationality: Swiss | **Year of birth:** 1962

Patrick Firmenich has been Chairman of the Board of Firmenich International SA, the world's largest privately owned fragrances and flavorings company, since 2016, after leading the company as CEO during a 12-year tenure. He demonstrated his entrepreneurial leadership by significantly advancing the Firmenich group's global position through organic and in-organic growth and succeeded in transforming the organization to continuously respond to client needs and the market environment. He developed an ambitious sustainability strategy for the group to lead the industry in health, safety and environmental performance. Before joining Firmenich, he held several positions in the legal and banking sectors, including working as an international investment banking analyst.

Professional experience

- 2014 – 2016 Vice Chairman of the Board, Firmenich International SA
- 2002 – 2014 CEO, Firmenich SA, Geneva
- 2001 – 2002 Corporate Vice President, Special Operations, Firmenich SA, Geneva
- 1997 – 2001 Vice President Fine Fragrance worldwide and Président Directeur Général, Firmenich & Cie, Paris, and Firmenich Inc, New York
- 1993 – 1997 Vice President Fine Fragrance North America, Firmenich Inc, New York
- 1990 – 1993 Account Manager, Firmenich & Cie, Paris
- 1988 – 1989 Analyst, International Investment Banking, Credit Suisse First Boston
- 1988 Production administrator, Firmenich SA de CV, Mexico
- 1984 – 1986 Attorney, Business Law, Patry, Junet, Simon & Le Fort, Geneva

Education

- Master's degree, law, University of Geneva, admitted to the bar in Geneva
- MBA, INSEAD Fontainebleau

Non-listed company boards

- Chairman of Firmenich International SA
- Member of the Board of Jacobs Holding AG

Other activities and functions

- Member of the Board of INSEAD and INSEAD World Foundation
- Member of the Advisory Council of the Swiss Board Institute

Key competencies

- Finance, audit, accounting
- Risk management, compliance and legal
- Human resources management, including compensation
- ESG (environmental, social and governance)

Leadership experience

- CEO, Chairman



Fred Hu

Non-executive member of the Board since 2018

- Member of the Governance and Nominating Committee since 2020

Nationality: Chinese | **Year of birth:** 1963

Fred Hu has been the Chairman and CEO of Primavera Capital Group, an Asia-based private investment firm focused on emerging technology and innovative industries, since founding it in 2010. Prior to that, he was a partner and Chairman for Greater China at Goldman Sachs. Mr. Hu has a profound understanding of China's economy and rapidly developing financial system, and a vast amount of experience advising and investing in leading firms in the tech, consumer and health-care sectors in China and globally. He has worked at the IMF and advised the Chinese government on economic policy.

Professional experience

- 2010 – date Founder, Chairman and CEO, Primavera Capital Group, China
- 2008 – 2010 Partner and Chairman of Greater China, Goldman Sachs
- 2004 – 2008 Partner and Co-Head, Investment Banking, China, Goldman Sachs
- 2003 – 2004 Managing Director and Co-Head, Investment Banking, China, Goldman Sachs
- 2000 – 2003 Managing Director and Chief Economist and Strategist, Greater China, Goldman Sachs
- 1996 – date Co-Director, the National Center for Economic Research
- 1996 – date Adjunct Professor, Economics, Tsinghua University

Education

- Master's degree, engineering science, Tsinghua University
- Master's degree and doctorate, economics, Harvard University

Listed company boards

- Non-executive Chairman of the Board of Yum China Holdings (chair of the nomination and governance committee)
- Member of the Board of ICBC

Non-listed company boards

- Chairman of Primavera Capital Ltd

Other activities and functions

- Trustee of the China Medical Board
- Governor of the Chinese International School in Hong Kong SAR
- Co-Chairman of the Nature Conservancy Asia Pacific Council
- Member of the Board of Trustees, the Institute for Advanced Study
- Director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.

Key competencies

- Investment banking, capital markets
- Risk management, compliance and legal
- Technology, cybersecurity
- Regulatory authority, central bank

Leadership experience

- CEO, Chairman



Mark Hughes

Non-executive member of the Board since 2020

- Chairperson of the Risk Committee since 2020
- Member of the Corporate Culture and Responsibility Committee since 2020

Nationality: Canadian, British and American (US) | **Year of birth:** 1958

Mark Hughes is a highly experienced professional in the financial services sector, having spent more than 35 years working for RBC (the Royal Bank of Canada) in Canada, the US and the UK. In his final role as Group Chief Risk Officer of RBC, he was responsible for the strategic management of risk on an enterprise-wide basis and oversaw all risk functions. During his career, Mr. Hughes has also held senior management positions in the front office and key operational roles. Currently, he is a visiting lecturer at Leeds University and is chair of the Global Risk Institute, bringing an enormous amount of experience as a risk specialist to the Board of Directors of UBS.

Professional experience

- 2014 – 2018 Group Chief Risk Officer and member Group Executive Committee, RBC
- 2013 Deputy Chief Risk Officer, RBC
- 2008 – 2013 COO, RBC Capital Markets, RBC
- 2001 – 2008 Head of Global Credit, RBC
- 1999 – 2001 Head of Debt Products, RBC
- 1998 – 1999 Senior Vice President and General Manager USA, RBC
- 1997 – 1998 Senior Vice President Financial Services, RBC
- 1982 – 1996 Various positions, RBC

Education

- Bachelor of Laws (LL.B.), University of Leeds
- MBA, finance, University of Manchester

Other activities and functions

- Chair of the Board of Directors of the Global Risk Institute
- Visiting lecturer at the University of Leeds
- Senior advisor to McKinsey & Company

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Risk management, compliance and legal
- Technology, cybersecurity

Leadership experience

- Executive board leadership



Nathalie Rachou

Non-executive member of the Board since 2020

- Member of the Governance and Nominating Committee since 2022
- Member of the Risk Committee since 2020

Nationality: French | **Year of birth:** 1957

Nathalie Rachou is a seasoned expert in financial services, having held a number of banking positions, such as CEO of Prime Brokerage and head of a business line in Capital Markets at Crédit Agricole Indosuez in the UK and in France. In 1999, she founded a London-based asset management company that merged with a French asset manager and continued as a senior adviser until 2020. Alongside these roles, Ms. Rachou brings extensive experience from serving as a board member of Société Générale for 12 years and is currently on the boards of two other listed companies, including the pan-European bourse, Euronext N.V.

Professional experience

- 2015 – 2020 Senior Advisor, Clartan Associés (formerly Rouvier Associés), France
- 1999 – 2014 Founding partner and CEO, Topiary Finance Ltd., UK
- 1996 – 1999 Head of Global Foreign Exchange and Currency Options, Crédit Agricole Indosuez (formerly Banque Indosuez), UK
- 1991 – 1996 Corporate Secretary and Secretary to the Board of Directors, Crédit Agricole Indosuez, France
- 1986 – 1991 COO, Carr Futures, France (owned by Banque Indosuez), Crédit Agricole Indosuez, France
- 1983 – 1986 Head of Asset and Liability Management & Market Risks, Crédit Agricole Indosuez, France
- 1978 – 1982 Position in Forex Exchange Sales, Crédit Agricole Indosuez, France and UK

Education

- Master's degree, management, HEC Paris
- MBA, INSEAD Fontainebleau

Listed company boards

- Member of the Board of Euronext N.V. (chair of the remuneration committee)
- Member of the Board of Veolia Environnement SA (chair of the audit committee)

Non-listed company boards

- Member of the Board of the African Financial Institutions Investment Platform

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Risk management, compliance and legal



Julie G. Richardson

Non-executive member of the Board since 2017

- Chairperson of the Compensation Committee since 2019
- Member of the Risk Committee since 2017

Nationality: American (US) | **Year of birth:** 1963

Julie G. Richardson spent more than 25 years on Wall Street as a senior investment banker with a focus on telecom, media and technology. She began her career at Merrill Lynch, before moving to JPMorgan Chase, where she headed the telecommunications, media and technology investment banking group. Later, she moved into private equity, as head of the New York office of Providence Equity Partners. Throughout her career, Ms. Richardson has spent significant time with both incumbent and new technology companies, including being a board member of a digital knowledge management company and a leading cloud monitoring firm.

Professional experience

- 2012 – 2014 Senior advisor, Providence Equity Partners, New York
- 2003 – 2012 Partner and Head of the New York office, Providence Equity Partners, New York
- 1998 – 2003 Vice Chairman of the Investment Banking division of JPMorgan Chase & Co. and Head of its Global Telecommunications, Media and Technology group
- 1986 – 1998 Various positions at Merrill Lynch, final position: Managing Director Media and Communications Investment Banking

Education

- Bachelor's degree, business administration, University of Wisconsin–Madison

Listed company boards

- Member of the Board of Yext (chair of the audit committee)
- Member of the Board of Datadog (chair of the audit committee)

Non-listed company boards

- Member of the Board of Fivetran
- Member of the Board of Coalition, Inc.

Key competencies

- Investment banking, capital markets
- Risk management, compliance and legal
- Human resources management, including compensation
- Technology, cybersecurity



Dieter Wemmer

Non-executive member of the Board since 2016

- Member of the Audit Committee since 2019
- Member of the Compensation Committee since 2018

Nationality: Swiss and German | **Year of birth:** 1957

Dieter Wemmer began his highly successful career in the insurance sector with the Zurich Group in 1986, retiring in 2017 as CFO of Allianz. As a long-serving CFO of two large multi-national companies in the financial services sector, he has deep experience across a broad range of highly relevant topics. Mr. Wemmer brings to the BoD knowledge covering accounting, finance and audit, including capital markets, investments and risk management, as well as asset management. His know-how includes hands-on experience in mergers and acquisitions, and management of large organizations with a focus on strategy.

Professional experience

- 2013 – 2017 CFO, Allianz SE
- 2012 – 2013 Member of the Board of Management, responsible for the insurance business in France, Benelux, Italy, Greece and Turkey and for the "Global Property & Casualty" Center of Competence, Allianz SE
- 2007 – 2011 CFO, Zurich Insurance Group
- 2010 – 2011 Regional Chairman of Europe, Zurich Insurance Group
- 2004 – 2007 CEO of the Europe General Insurance business and member of Zurich's Group Executive Committee, Zurich Insurance Group
- 2003 – 2004 COO of Europe General Insurance, Zurich Insurance Group
- 1999 – 2003 Head of Mergers and Acquisitions, Zurich Insurance Group
- 1997 – 1999 Head of Financial Controlling, Zurich Insurance Group

Education

- Master's degree and doctorate, mathematics, University of Cologne

Listed company boards

- Member of the Board of Ørsted AVS (chair of the audit and risk committee)

Non-listed company boards

- Chairman of Marco Capital Holdings Limited, Malta and subsidiaries

Other activities and functions

- Member of the Berlin Center of Corporate Governance

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- Risk management, compliance and legal

Leadership experience

- Executive board leadership



Jeanette Wong

Non-executive member of the Board since 2019

- Member of the Compensation Committee since 2020
- Member of the Audit Committee since 2019

Nationality: Singaporean | **Year of birth:** 1960

Jeanette Wong has spent more than 30 years working in the financial sector in Singapore. She retired from DBS Group in 2019, where she was Group Executive responsible for the institutional banking business, a post that encompassed corporate banking, global transaction services, strategic advisory, and mergers and acquisitions. Prior to that, she held the position of CFO at DBS Bank. During a 16-year career with JPMorgan Chase, Ms. Wong helped build up its Asia and emerging markets business. She brings extensive experience from serving as a member of the board of directors of two high-value listed companies.

Professional experience

| | |
|-------------|--|
| 2008 – 2019 | Group Executive institutional banking business, DBS Bank, Singapore |
| 2003 – 2008 | CFO, DBS Bank, Singapore |
| 2003 | Chief Administration Officer, DBS Bank, Singapore |
| 1997 – 2002 | Country Manager Singapore, JPMorgan Chase, Singapore |
| 1986 – 1997 | Various roles in Global Markets and Emerging Markets Sales and Trading business, Asia, JPMorgan Chase, Singapore |
| 1984 – 1986 | Manager, Private Banking, Citibank, Singapore |
| 1982 – 1984 | Manager, Corporate Banking, Paribas, Singapore |

Education

- Bachelor's degree, business administration, the National University of Singapore
- MBA, University of Chicago

Listed company boards

- Member of the Board of Prudential plc
- Member of the Board of Singapore Airlines Limited

Non-listed company boards

- Member of the Board Risk Committee of GIC Pte Ltd
- Member of the Board of Jurong Town Corporation
- Member of the Board of PSA International

Other activities and functions

- Chairman of the CareShield Life Council
- Member of the Securities Industry Council
- Member of the Board of Trustees of the National University of Singapore

Key competencies

- Banking (wealth management, asset management, personal and corporate banking) and insurance
- Investment banking, capital markets
- Finance, audit, accounting
- ESG (environmental, social and governance)

Leadership experience

- Executive board leadership



Markus Baumann

Group Company Secretary since 2017

Nationality: Swiss | **Year of birth:** 1963

Markus Baumann joined UBS in 1979 as a banking apprentice and has now been with the firm for more than 40 years. Earlier in his career, he worked in Japan for four years, as Corporate Planning Officer and assistant to the CEO. He then worked as COO EMEA for UBS Asset Management and has since held a broad range of leadership roles across the Group in Switzerland, the US and Japan, including COO of Group Internal Audit from 2006 to 2015.

Professional experience

| | |
|-------------|---|
| 2017 – date | Group Company Secretary of UBS Group AG and Company Secretary of UBS AG |
| 2015 – 2016 | Chief of Staff to the Chairman of the Board of Directors, UBS |
| 2006 – 2015 | COO, Group Internal Audit, UBS |
| 2005 – 2006 | Head Global Reporting & Controlling, Global Asset Management, UBS |
| 2002 – 2004 | Head Management Support CEO EMEA, Global Asset Management, UBS |
| 1998 – 2002 | COO EMEA, Global Asset Management, UBS |
| 1979 – 1997 | Various positions, Union Bank of Switzerland |

Education

- Swiss Federal Diploma as a Business Analyst
- MBA, INSEAD Fontainebleau

Elections and terms of office

Shareholders annually elect each member of the BoD individually, as well as the Chairman and the members of the Compensation Committee, based on proposals from the BoD.

As set out in the Organization Regulations, BoD members are normally expected to serve for at least three years. BoD members are limited to serving for a maximum of 10 consecutive terms of office; in exceptional circumstances, the BoD may extend that limit.

› Refer to “Skills, expertise and training of the Board of Directors” in this section for more information

Organizational principles and structure

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, a Senior Independent Director, the BoD committee members (other than the Compensation Committee members, who are elected by the shareholders) and the respective committee Chairpersons. At the same meeting, the BoD appoints the Group Company Secretary, who, pursuant to the Organization Regulations, acts as secretary to the BoD and its committees.

Pursuant to the AoA and the Organization Regulations, the BoD meets as often as business requires, but it must meet at least six times a year. During the height of the COVID-19 pandemic, BoD meetings were mainly organized as video calls, with few exceptions. Based on the experiences during the pandemic, the BoD decided to adopt a split approach for 2022 and going forward. In 2022, half of the meetings were held in person. During 2022, a total of 31 BoD meetings were held, 15 of which were attended by GEB members. Average participation in the BoD meetings was 98%. In addition to the BoD meetings attended by GEB members, the Group CEO regularly attended some of the meetings of the BoD without the participation of other GEB members. The meetings had an average duration of 95 minutes and covered both UBS Group AG and UBS AG. Additionally, six ad hoc calls were held. The BoD held a two-day strategy workshop, which included deep dives on each business division and geographical region, and focused on the execution against the strategy defined in 2021. A separate one-day strategy deep dive was held with a specific focus on the Asia Pacific region.

At the BoD meetings, each committee Chairperson provides the BoD with an update on current activities of his or her committee and important committee issues.

In 2022, four UBS AG BoD meetings were held with members of the Executive Board in attendance. These standalone meetings are held regularly to discuss and agree on finance, risk, compliance, operational risk, regulatory and other topics related to UBS AG.

We also continued with the coordination and exchange of information between UBS Group AG and its significant group entities. Joint meetings between the BoD of UBS Group AG and the boards of directors of the significant group entities, as well as between the respective chairs of the risk and audit committees, have been held. As in prior years, an annual workshop, attended by independent members of the boards of the Group and significant group entities, was held.

Performance assessment

Every third year, an external assessment of the effectiveness of the BoD is conducted. In 2022, this review concluded that the UBS BoD and committees operate effectively, in line with best practice, and set a high standard in comparison with leading international peers. The review also confirmed that the BoD agenda covers all important and relevant topics and that these are addressed professionally and in great depth. It further found that the BoD members are independent, highly committed and of the highest integrity, and that the Chairman provides effective leadership and direction. The review emphasized that the cooperation between the BoD and the GEB is based on mutual trust, respect and constructive dialogue. The mix of expertise in the BoD is broad-based and the quality of BoD members is high. The BoD and GEB have responded well to the economic environment, including successfully managing the firm through the COVID-19 pandemic and other significant challenges, while maintaining an appropriate focus on control and regulatory issues. The review highlighted the successful CEO transition and onboarding, and the well-planned and professionally executed Chairman succession process. No significant weaknesses were identified in the review; maintaining a balanced agenda that provides sufficient room for each business performance, strategic review and growth initiatives was the main area recommended for further focus. In spring 2023, the performance assessment will be conducted in-house with a lengthy questionnaire.

BoD committees

The committees listed below assist the BoD in fulfilling the performance of its responsibilities. These committees and their charters are described in our Organization Regulations, available at ubs.com/governance. The committees meet as often as their business requires, but no less than four times a year in the case of the Audit Committee, the Risk Committee and the Compensation Committee, and no less than twice a year in the case of the Corporate Culture and Responsibility Committee (the CCRC) and the Governance and Nominating Committee. Topics of common interest or affecting more than one committee are discussed at joint committee meetings.

During 2022, a total of eight joint committee meetings were held for UBS Group AG (five joint committee meetings were held simultaneously for UBS AG). The Audit Committee met four times with the Risk Committee and twice with the CCRC. The Risk Committee met once with the CCRC and once with the Compensation Committee.

Board of Directors

| Members in 2022 | Meeting attendance without GEB ³ | | Meeting attendance with GEB | | Key responsibilities include: |
|--------------------------------------|---|------|-----------------------------|------|--|
| | | | | | |
| Axel A. Weber, Chairman ¹ | 2/2 | 100% | 2/2 | 100% | <p>The Board has ultimate responsibility for the success of the Group and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on the Group's strategy and the necessary financial and human resources upon recommendation of the Group CEO and sets the Group's values and standards to ensure that its obligations to shareholders and other stakeholders are met.</p> <p>› Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance, for more information</p> |
| Colm Kelleher, Chairman ² | 14/14 | 100% | 13/13 | 100% | |
| Lukas Gähwiler ² | 14/14 | 100% | 13/13 | 100% | |
| Jeremy Anderson | 16/16 | 100% | 15/15 | 100% | |
| Claudia Böckstiegel | 16/16 | 100% | 15/15 | 100% | |
| William C. Dudley | 16/16 | 100% | 15/15 | 100% | |
| Patrick Firmenich | 16/16 | 100% | 15/15 | 100% | |
| Reto Francioni ¹ | 2/2 | 100% | 2/2 | 100% | |
| Fred Hu | 14/16 | 88% | 14/15 | 93% | |
| Mark Hughes | 16/16 | 100% | 15/15 | 100% | |
| Nathalie Rachou | 16/16 | 100% | 15/15 | 100% | |
| Julie G. Richardson | 15/16 | 94% | 15/15 | 100% | |
| Dieter Wemmer | 15/16 | 94% | 15/15 | 100% | |
| Jeanette Wong | 16/16 | 100% | 15/15 | 100% | |

¹ Axel A. Weber and Reto Francioni did not stand for re-election at the 2022 AGM; indicated are their attended and total meetings up to the 2022 AGM. ² Colm Kelleher was elected as Chairman and Lukas Gähwiler to the Board at the 2022 AGM; indicated are their attended and total meetings after their election. ³ Additionally, six calls took place in 2022.

Audit Committee

Throughout 2022, the Audit Committee consisted of four independent BoD members. All Audit Committee members have accounting or related financial management expertise and, in compliance with the rules established pursuant to the 2002 US Sarbanes–Oxley Act, at least one member qualifies as a financial expert. The NYSE standards on corporate governance and Rule 10A-3 under the US Securities Exchange Act set more stringent independence requirements for members of audit committees than for the other members of the BoD. Throughout 2022, all members of the Audit Committee, in addition to satisfying our independence criteria, satisfied these requirements, in that they did not receive, directly or indirectly, any consulting, advisory or compensatory fees from any member of the Group other than in their capacity as a BoD member, did not hold, directly or indirectly, UBS Group AG shares in excess of 5% of the outstanding capital, and did not serve on the audit committees of more than two other public companies.

During 2022, the Audit Committee held 12 committee meetings, with a participation rate of 100%. The meetings had an average duration of approximately 135 minutes and covered both UBS Group AG and UBS AG. Additional attendees included the Group CFO, the Group Controller and Chief Accounting Officer, the Head Group Internal Audit (GIA), and the external auditors. The Chairman of the BoD, the Vice Chairman and the Group CEO attended most meetings. The Chairperson and the committee continued to maintain regular contact with core supervisory authorities.

Audit Committee

| Members in 2022 | Meeting attendance | | Key responsibilities include: |
|-------------------------------|--------------------|------|--|
| | | | |
| Jeremy Anderson (Chairperson) | 12/12 | 100% | <p>The function of the Audit Committee is to support the Board in fulfilling its oversight duty relating to financial reporting and internal controls over financial reporting, the effectiveness of the external and internal audit functions, and the effectiveness of whistleblowing procedures.</p> <p>Management is responsible for the preparation, presentation and integrity of the financial statements, while the external auditors are responsible for auditing financial statements. The Audit Committee's responsibility is one of oversight and review.</p> <p>› Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance, for more information</p> |
| Patrick Firmenich | 12/12 | 100% | |
| Dieter Wemmer | 12/12 | 100% | |
| Jeanette Wong | 12/12 | 100% | |

Compensation Committee

In 2022, the Compensation Committee consisted of four independent members before the AGM and three independent members after the AGM. In addition to the key responsibilities indicated in the same table, the Compensation Committee reviews the compensation disclosures included in this report.

During 2022, the Compensation Committee held eight meetings, with a participation rate of 100%. The meetings had an average duration of approximately 70 minutes and covered both UBS Group AG and UBS AG. All meetings were held in the presence of the Chairman and the Group CEO and most were attended by external advisors. In 2022, the Chairperson met regularly with core supervisory authorities.

- › Refer to “Compensation for the Board of Directors” in the “Compensation” section of this report for more information about the Compensation Committee’s decision-making procedures

Compensation Committee

| Members in 2022 | Meeting attendance ² | | Key responsibilities include: |
|-----------------------------------|---------------------------------|------|---|
| Julie G. Richardson (Chairperson) | 8/8 | 100% | <p>The Compensation Committee is responsible for:</p> <ul style="list-style-type: none">(i) supporting the Board in its duties to set guidelines on compensation and benefits;(ii) approving the total compensation for the Chairman and the non-independent Board members;(iii) proposing, upon proposal of the Chairman, financial and non-financial performance targets and objectives for the Group CEO for approval by the Board and reviewing, upon the proposal of the Group CEO, the performance framework for the other GEB members;(iv) proposing, upon proposal of the Chairman, the Group CEO’s performance assessment for approval by the Board, as well as informing the Board of the performance assessments of all GEB members, including the Group CEO;(v) proposing, upon proposal of the Chairman, the total compensation for the Group CEO for approval by the Board; and(vi) proposing, upon proposal of the Group CEO, the individual total compensation for the other GEB members for approval by the Board. <p>› Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance, for more information</p> |
| Reto Francioni ¹ | 2/2 | 100% | |
| Dieter Wemmer | 8/8 | 100% | |
| Jeanette Wong | 8/8 | 100% | |
| | | | |

¹ Reto Francioni did not stand for re-election at the 2022 AGM; indicated are his attended and total meetings up to the 2022 AGM ² Additionally, the Compensation Committee held one ad hoc call.

Corporate Culture and Responsibility Committee

In 2022, the CCRC consisted of the Chairperson and four independent BoD members. The Group CEO, the Group Chief Risk Officer, the President Asset Management and GEB Lead for Sustainability and Impact, the Group General Counsel and the Chief Sustainability Officer are permanent guests of the CCRC. During 2022, six meetings were held, with a participation rate of 100%. The average duration of each of the meetings was approximately 85 minutes.

Corporate Culture and Responsibility Committee

| Members in 2022 | Meeting attendance | | Key responsibilities include: |
|--|--------------------|------|--|
| Axel A. Weber (Chairperson) ¹ | 2/2 | 100% | <p>The CCRC supports the Board in its duties to safeguard and advance the Group’s reputation for responsible and sustainable conduct. Its function is forward-looking in that it monitors and reviews societal trends and transformational developments and assesses their potential relevance for the Group.</p> |
| Colm Kelleher (Chairperson) ² | 4/4 | 100% | |
| Claudia Böckstiegel ² | 4/4 | 100% | <p>In undertaking this assessment, it reviews stakeholder concerns and expectations pertaining to the societal performance of UBS and to the development of its corporate culture. The CCRC’s function also encompasses the monitoring of the current state and implementation of the programs and initiatives within the Group pertaining to corporate culture and corporate responsibility, including sustainability.</p> <p>› Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance, for more information</p> |
| William C. Dudley | 6/6 | 100% | |
| Patrick Firmenich | 6/6 | 100% | |
| Mark Hughes | 6/6 | 100% | |
| Jeanette Wong ¹ | 2/2 | 100% | |

¹ Axel A. Weber did not stand for re-election and Jeanette Wong stepped down from this committee at the 2022 AGM; indicated are their attended and total meetings up to the 2022 AGM. ² Colm Kelleher became Chairman and Claudia Böckstiegel member of this committee; indicated are their attended and total meetings after election.

Governance and Nominating Committee

In 2022, the Governance and Nominating Committee consisted of, in addition to the Chairperson, five independent members before the AGM and three independent members after the AGM. During 2022, six meetings were held, with a participation rate of 100%. The average duration of each of the meetings was approximately 60 minutes. The Group CEO attended meetings as appropriate.

Governance and Nominating Committee

| Members in 2022 | Meeting attendance ³ | | Key responsibilities include: |
|--|---------------------------------|------|---|
| Axel A. Weber (Chairperson) ¹ | 2/2 | 100% | <p>The function of the Governance and Nominating Committee is to support the Board in fulfilling its duty to establish best practices in corporate governance across the Group, including conducting a Board assessment, establishing and maintaining a process for appointing new Board and GEB members, as well as for the annual performance assessment of the Board.</p> <p>➤ Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance, for more information</p> |
| Colm Kelleher (Chairperson) ² | 4/4 | 100% | |
| Jeremy Anderson | 6/6 | 100% | |
| William C. Dudley ¹ | 2/2 | 100% | |
| Fred Hu | 6/6 | 100% | |
| Nathalie Rachou ² | 4/4 | 100% | |
| Julie G. Richardson ¹ | 2/2 | 100% | |
| Dieter Wemmer ¹ | 2/2 | 100% | |

¹ Axel A. Weber did not stand for re-election; William Dudley, Julie G. Richardson and Dieter Wemmer stepped down from this committee at the 2022 AGM; indicated are their attended and total meetings up to the 2022 AGM. ² Colm Kelleher became Chairman and Nathalie Rachou member of this committee; indicated are their attended and total meetings after election. ³ Additionally, the Governance and Nominating Committee held one ad hoc call.

Risk Committee

In 2022, the Risk Committee consisted of six independent members before the AGM and four independent members after the AGM. During 2022, the Risk Committee held 12 committee meetings, with a participation rate of 100%. The average duration of each of the meetings was approximately 145 minutes, covering both UBS Group AG and UBS AG. The Chairman of the BoD, the Vice Chairman, the Group CEO, the Group CFO, the Group Chief Risk Officer, the Group Chief Digital and Information Officer, the Group Treasurer, the Group Chief Compliance and Governance Officer, the Group General Counsel, the Head GIA, and the external auditors attended the meetings. In 2022, the Chairperson or the full committee met with core supervisory authorities.

Risk Committee

| Members in 2022 | Meeting attendance | | Key responsibilities include: |
|-----------------------------|--------------------|------|---|
| Mark Hughes (Chairperson) | 12/12 | 100% | <p>The function of the Risk Committee is to oversee and support the Board in fulfilling its duty to set and supervise an appropriate risk management and control framework in the areas of:</p> <p>(i) financial and non-financial risks;</p> <p>(ii) balance sheet, treasury and capital management, including funding, liquidity and equity attribution.</p> <p>➤ Refer to the Organization Regulations of UBS Group AG, available at ubs.com/governance, for more information</p> |
| William C. Dudley | 12/12 | 100% | |
| Reto Francioni ¹ | 3/3 | 100% | |
| Fred Hu ¹ | 3/3 | 100% | |
| Nathalie Rachou | 12/12 | 100% | |
| Julie G. Richardson | 12/12 | 100% | |

¹ Reto Francioni did not stand for re-election and Fred Hu stepped down from this committee at the 2022 AGM; indicated are their attended and total meetings up to the 2022 AGM.

Ad hoc committees

The Special Committee and the Strategy Committee are two ad hoc committees, which have a standing composition and hold meetings as and when required.

Leading up to the 2022 AGM, the Special Committee was chaired by Jeremy Anderson, with Claudia Böckstiegel, Nathalie Rachou, Julie G. Richardson and Axel A. Weber as its members; after the AGM, Colm Kelleher and Lukas Gähwiler joined the Special Committee and Axel A. Weber stepped down from the BoD. Its primary purpose is to oversee activities related to key litigation and investigation matters, review management's respective proposals and provide to the BoD recommendations for decisions. In 2022, the main focus was the French cross-border matter. The Group CEO and the Group General Counsel are permanent guests of the Special Committee. During 2022, two meetings of the Special Committee were held, covering both UBS Group AG and UBS AG.

Leading up to the 2022 AGM, the Strategy Committee was chaired by Axel A. Weber, with William C. Dudley, Fred Hu and Dieter Wemmer as its members; after the AGM, Colm Kelleher replaced Axel A. Weber (who stepped down from the BoD) as the chair and Julie G. Richardson also joined the Strategy Committee. The primary purpose of this committee is to support management and the BoD with regard to the assessment of strategic considerations and to prepare decisions on behalf of the BoD. During 2022, four meetings of the Strategy Committee were held, covering both UBS Group AG and UBS AG. The Group CEO and other members of the GEB and management participated in these meetings as required.

Roles and responsibilities of the Chairman of the Board of Directors

At the 2022 AGM, Axel A. Weber stepped down and Colm Kelleher was elected as the full-time Chairman of the BoD. The Chairman coordinates tasks within the BoD, calls BoD meetings and sets their agendas. He presides over all general meetings of shareholders, chairs the Governance and Nominating Committee, as well as the CCRC, and works with the committee Chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman undertakes responsibility for UBS's reputation, and is responsible for effective communication with shareholders and other stakeholders, including government officials, regulators and public organizations. This is in addition to establishing and maintaining close working relationships with the Group CEO and other GEB members, and providing advice and support when appropriate.

- › Refer to "Employees" in the "How we create value for our stakeholders" section of this report for information about our Pillars, Principles and Behaviors

In 2022, the respective Chairman in office met regularly with core supervisory authorities of all major locations where UBS is active. Meetings with important supervisory authorities were scheduled on an ad hoc or needs-driven basis.

Roles and responsibilities of the Vice Chairmen and the Senior Independent Director

The BoD appoints one or more Vice Chairmen and a Senior Independent Director. If the BoD appoints more than one Vice Chairman, at least one of them must be independent. Both the Vice Chairman and the Senior Independent Director support the Chairman with regard to his responsibilities and authorities and provide him with advice. In conjunction with the Chairman and the Governance and Nominating Committee, they facilitate good Group-wide corporate governance, as well as balanced leadership and control within the Group, the Board and the committees.

Lukas Gähwiler was appointed as Vice Chairman following the 2022 AGM. Jeremy Anderson has been the Senior Independent Director since 2020. The Vice Chairman is required to lead meetings of the BoD in the temporary absence of the Chairman. Together with the Governance and Nominating Committee, either one of them is tasked with the ongoing monitoring and the annual evaluation of the Chairman. The Vice Chairman also represents UBS on behalf of the Chairman in meetings with internal or external stakeholders. In particular, he represents UBS across a broad range of associations and industry bodies in Switzerland.

The Senior Independent Director enables and supports communication and the flow of information among the independent BoD members. At least twice a year, he organizes and leads a meeting of the independent BoD members without the participation of the Chairman. In 2022 and in early 2023, two independent BoD meetings were held, covering both UBS Group AG and UBS AG, with an average participation rate of 85% and an average duration of approximately 105 minutes. The Senior Independent Director also relays to the Chairman any issues or concerns raised by the independent BoD members and acts as a point of contact for shareholders and stakeholders seeking discussions with an independent BoD member.

Important business connections of independent members of the Board of Directors

As a global financial services provider and a major Swiss bank, we enter into business relationships with many large companies, including some in which our BoD members have management or independent board responsibilities. The Governance and Nominating Committee determines in each instance whether the nature of the Group's business relationship with such a company might compromise our BoD members' capacity to express independent judgment.

Our Organization Regulations require three-quarters of the UBS Group AG BoD members and one-third of those at UBS AG to be independent. For this purpose, independence is determined in accordance with FINMA Circular 2017/1 "Corporate governance – banks" and the NYSE rules.

In 2022, our BoD met the standards of the Organization Regulations for the percentage of directors who are considered independent under the criteria described above. Axel Weber, who served as Chairman of the Board until the Annual General Meeting on 6 April 2022, had a full-time contract with UBS Group AG and was not considered independent. Our Vice Chairman, Lukas Gähwiler, previously had a full-time contract with UBS Switzerland AG and, therefore, is currently not considered independent according to the regulatory independence rules. No current BoD member has either an employment contract or a significant business connection to UBS or any of its subsidiaries. Except for the Vice Chairman, no BoD member currently carries out, or has carried out over the past three years, any operational management tasks within the Group.

All relationships and transactions with UBS Group AG's independent BoD members are conducted in the ordinary course of business and are on the same terms as those prevailing at the time for comparable transactions with non-affiliated persons. All relationships and transactions with BoD members' associated companies are conducted at arm's length.

- › Refer to "Note 30 Related parties" in the "Consolidated financial statements" section of this report for more information

Checks and balances: Board of Directors and Group Executive Board

We operate under a strict dual board structure, as mandated by Swiss banking law. The separation of responsibilities between the BoD and the GEB is clearly defined in the Organization Regulations. The BoD decides on the strategy of the Group, upon recommendations by the Group CEO, and exercises ultimate supervision over management; whereas the GEB, headed by the Group CEO, has executive management responsibility. The functions of Chairman and Group CEO are assigned to two different people, leading to a separation of powers. This structure establishes checks and balances and preserves the institutional independence of the BoD from the executive management of the Group, for which responsibility is delegated to the GEB, under the leadership of the Group CEO. No member of one board may simultaneously be a member of the other.

Supervision and control of the GEB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the AoA and the Organization Regulations.

Skills, expertise and training of the Board of Directors

At present, the BoD is well-diversified and composed of members with a broad spectrum of skills, educational backgrounds, experience, and expertise from a range of sectors that reflect the nature and scope of the firm's business. The Governance and Nominating Committee maintains a competencies and experience matrix to identify gaps in the competencies considered most relevant to the BoD, taking into consideration the firm's business exposure, risk profile, strategy and geographic reach.

In recent years, the composition of the BoD has been systematically rebuilt along the identified requirements. The appointment of a new Chairman and Vice Chairman in 2022 completed this process. As a result, no nominations are submitted for a vote at the AGM in 2023. Nevertheless, a list of potential candidates is prepared and updated regularly by UBS Group AG.

We asked our BoD members to select their four key competencies from the following eight categories and to indicate whether they have ever been a CEO or chairperson of a listed company or a member of the executive board of such a company:

Key competencies

- banking (wealth management, asset management, personal and corporate banking) and insurance
- investment banking, capital markets
- finance, audit, accounting
- risk management, compliance and legal
- human resources management, including compensation
- technology, cybersecurity
- regulatory authority, central bank
- environmental, social and governance (ESG)

Leadership experience

- experience as a CEO or chairperson
- executive board leadership experience (e.g., as CFO, chief risk officer or COO of a listed company)

The Governance and Nominating Committee reviews these categories and ratings annually to confirm that the BoD continues to possess the most relevant experience and competencies to perform its duties.

With regard to the composition of the BoD after the 2022 AGM, the members thereof identified all of the target competencies as being their key competencies. Particularly strong levels of experience and expertise existed in these areas:

- financial services
- risk management, compliance and legal
- finance, audit, accounting

Furthermore, 10 of the 12 BoD members have held or currently hold chairperson, CEO or other executive board-level leadership positions.

Moreover, education remained an important priority for our BoD members. In addition to a comprehensive induction program for new BoD members, continuous training and topical deep dives are part of the BoD agenda.

- › **Refer to "Risk governance" in the "Risk management and control" section of this report for information about our risk governance framework**

Terms of office¹



| | |
|---|-----------|
| 4 | <3 years |
| 7 | 3–6 years |
| 1 | 7–9 years |
| 0 | >9 years |

Geographic diversity²



| | |
|-----|-------------------|
| 33% | Switzerland |
| 25% | Europe and the UK |
| 25% | USA / Canada |
| 17% | Asia |

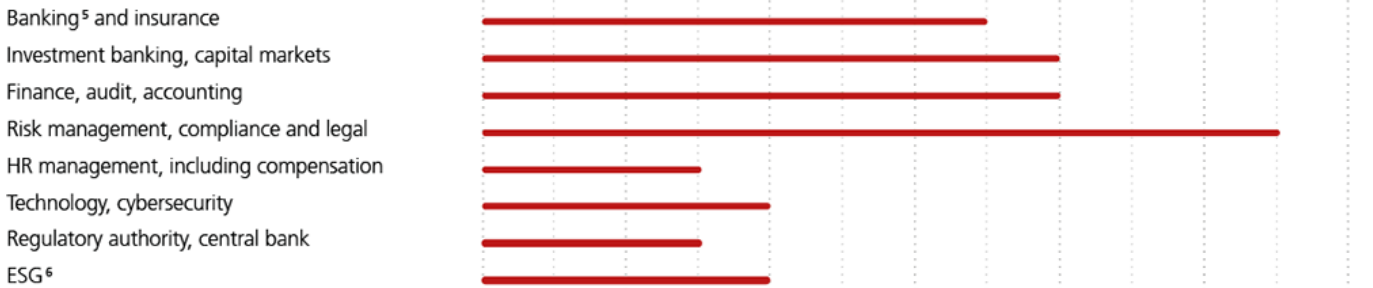
Gender³



| | |
|-----|--------|
| 67% | male |
| 33% | female |

Competencies and experience⁴

Key competencies



Leadership experience



¹ Terms of office until the 2023 AGM. ² In the case of dual-nationals, the domicile applies. ³ In accordance with the 30% gender quota of the revised Swiss Corporate Law. ⁴ The number of BoD members identifying a key competency as one of his / her key competencies; each member identified up to four key competencies (although not every sub-area of the respective competency might be applicable), plus one leadership experience. ⁵ Wealth management, asset management, and personal and corporate banking. ⁶ Environmental, social and governance. ⁷ For example, a CFO, chief risk officer or COO of a listed company.

Succession planning

Succession planning is one of the key responsibilities of both the BoD and the GEB. Across all divisions and regions, an inclusive talent development and succession planning process is in place that aims to foster the personal development and Group-wide mobility of our employees. Although the recruiting process for BoD and GEB members takes into account a broad spectrum of factors, such as skills, backgrounds, experience and expertise, our approach with regard to diversity considerations does not constitute a diversity policy within the meaning of the EU Directive on Non-Financial Reporting, and Swiss law does not require UBS to maintain such a policy.

In 2022, the GEB launched several strategic initiatives with the close involvement of the BoD and with the aim of further strengthening internal succession planning at UBS. This included the early identification of talents and their systematic development, including international and cross-divisional rotations. The succession plans for the GEB and the management layers below it are managed under the lead of the Group CEO and are reviewed and approved by the BoD.

For the BoD, the Chairman leads a systematic succession planning process as illustrated in the chart below.

Our strategy and the business environment constitute the main drivers in our succession planning process for new BoD members, as they define the key competencies required on the BoD. Taking the diversity and the tenure of the existing BoD into account, the Governance and Nominating Committee defines the recruiting profile for the search. Both external and internal sources contribute to identifying suitable candidates. The Chairman and the members of the Governance and Nominating Committee meet with potential candidates and, with the support of the full BoD, nominations are submitted to the AGM for approval. New BoD members follow an in-depth onboarding process designed to enable them to integrate efficiently and become effective in their new role. Due to this succession planning process, the composition of the BoD is in line with the demanding requirements of a leading global financial services firm.

The smooth and effective succession of both the CEO and Chairman, as well as that of new GEB members, demonstrates the strength and success of succession planning at UBS.



Information and control instruments with regard to the Group Executive Board

The BoD is kept informed of the GEB's activities in various ways, including regular meetings between the Chairman, the Group CEO and GEB members. The Group CEO and other GEB members also participate in BoD meetings to update its members on all significant issues. The BoD receives regular comprehensive reports covering financial, capital, funding, liquidity, regulatory, compliance and legal developments, as well as performance against plan and forecasts for the remainder of the year. For important developments, BoD members are also updated by the GEB in between meetings. In addition, the Chairman receives the meeting material and minutes of the GEB meetings.

BoD members may request from other BoD or GEB members any information about matters concerning the Group that they require in order to fulfill their duties. When these requests are raised outside BoD meetings, such requests must go through the Group Company Secretary and be addressed to the Chairman.

The BoD is supported in discharging its governance responsibilities by GIA, which independently assesses whether risk management, control and governance processes are designed and operating sustainably and effectively.

The Head GIA reports directly to the Chairman. In addition, GIA has a functional reporting line to the Audit Committee in accordance with its responsibilities as set forth in our Organization Regulations. The Audit Committee assesses the independence and performance of GIA and the effectiveness of both the Head GIA and GIA as an organization, approves GIA's annual audit plan and objectives and monitors GIA's discharge of these objectives.

The committee is also in regular contact with the Head GIA. GIA issues quarterly reports that provide an overview of significant audit results and key issues, as well as themes and trends, based on results of individual audits, continuous risk assessment and issue assurance. The reports are provided to the Chairman, the members of the Audit and the Risk Committees, the GEB and other stakeholders. The Head GIA regularly updates the Chairman and the Audit Committee on GIA's activities, processes, audit plan execution, resourcing requirements and other important developments. GIA issues an annual Activity Report, which is provided to the Chairman and the Audit Committee to support their assessment of GIA's effectiveness.

- › Refer to "Group Internal Audit" in this section for more information
- › Refer to "Internal risk reporting" in the "Risk management and control" section of this report for information about reporting to the BoD

Group Executive Board

The BoD delegates the management of the business to the Group Executive Board (the GEB).

Responsibilities, authorities and organizational principles of the Group Executive Board

As of 31 December 2022, the GEB, under the leadership of the Group CEO, consisted of 12 members. It has executive management responsibility for the steering of the Group and its business, develops the strategies of the Group, business divisions and Group Functions, and implements the BoD-approved strategies. The GEB is also the risk council of the Group, with overall responsibility for establishing and supervising the implementation of risk management and control principles, as well as for managing the risk profile of the Group, as determined by the BoD and the Risk Committee.

In 2022, the GEB held a total of 74 meetings for UBS Group AG.

At UBS AG, management of the business is also delegated, and its Executive Board, under the leadership of its President, has executive management responsibility for UBS AG and its business. All members of the GEB are members of UBS AG's Executive Board, with the exception of Sabine Keller-Busse, who serves as President UBS Switzerland AG. The Executive Board held 74 combined meetings with the GEB and four standalone meetings for UBS AG in 2022.

› Refer to the **Organization Regulations of UBS Group AG**, available at ubs.com/governance, for more information about the authorities of the Group Executive Board

Changes to the Group Executive Board

Effective 16 May 2022, Kirt Gardner stepped down and Sarah Youngwood succeeded him as Group CFO, having joined the GEB on 1 March 2022. Formerly, she was CFO of JPMorgan Chase's Consumer & Community Banking line of business.

Effective 3 October 2022, Tom Naratil stepped down as Co-President Global Wealth Management and President UBS Americas and Naureen Hassan joined UBS as a GEB member with functions of President UBS Americas and CEO of UBS Americas Holding LLC. Ms. Hassan was most recently First Vice President and Chief Operating Officer of the Federal Reserve Bank of New York, where she was responsible for technology, operations, finance, risk and HR, and led the New York Fed's agile transformation. Iqbal Khan became sole President Global Wealth Management on the same date.

On 8 November 2022, UBS announced that Christian Bluhm will step down from his role as Group Chief Risk Officer on 30 April 2023. Damian Vogel will join the GEB on 1 May 2023 and will take over as Group Chief Risk Officer. Mr. Vogel is currently Chief Risk Officer for UBS's Global Wealth Management business division.

The biographies on the following pages provide information about the GEB members in office as of 31 December 2022. The biographies of Kirt Gardner and Tom Naratil can be found on pages 212 and 216 of the UBS Group AG Annual Report 2021, available under "Annual reporting" at ubs.com/investors. In addition to information on mandates, the biographies include memberships and other activities or functions, as required by the SIX Swiss Exchange Corporate Governance Directive.

In line with Swiss law, article 36 of our AoA limits the number of mandates that GEB members may hold outside UBS Group to one mandate in a listed company and five additional mandates in non-listed companies. Mandates in companies that are controlled by UBS or that control UBS are not subject to this limitation. In addition, GEB members may not hold more than 10 mandates at one time at the request of the company and more than eight mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. On 31 December 2022, no member of the GEB reached the aforementioned thresholds.

Responsibilities and authorities of the Asset and Liability Committees

The Asset and Liability Committees (the ALCOs) of UBS Group AG and UBS AG are sub-committees of the GEB and the Executive Board that are responsible for managing assets and liabilities in line with the strategy, risk appetite, regulatory commitments and the interests of shareholders and other stakeholders. The ALCO of UBS Group AG proposes the framework for capital management, capital allocation, and liquidity and funding risk, and proposes limits and indicators for the Group to the BoD for approval. It oversees the balance sheet management of the Group, its business divisions and Group Functions. In 2022, the ALCOs of UBS Group AG and UBS AG held 10 meetings.

Management contracts

We have not entered into management contracts with any companies or natural persons that do not belong to the Group.



Ralph Hamers

Group Chief Executive Officer, member of the GEB since 2020

Nationality: Dutch | **Year of birth:** 1966

Ralph Hamers has been Group CEO of UBS Group AG and President of the Executive Board of UBS AG since November 2020, after joining UBS as Group Executive Board member in September 2020. Mr. Hamers is committed to ensuring that our firm is positioned to evolve with our clients and the larger world. He has led work to transform our firm for the future, with our Group-wide strategy and newly defined purpose launched in April 2021. Prior to joining UBS, Mr. Hamers was CEO and Chairman of the Executive Board of ING Group, where he spent over 30 years of his career. During his time as CEO of ING, he steered the bank to profitability after the financial crisis and supported the firm's digital transformation. Mr. Hamers has played a leading role in driving efforts in areas such as digital disruption and sustainability.

Professional experience

| | |
|-------------|--|
| 2020 – date | Group CEO, UBS Group AG, and President of the Executive Board, UBS AG |
| 2013 – 2020 | CEO and Chairman of the Executive Board, ING Supervisory Board member of NN Group (2014 – 2015); Chairman Management Board Banking (2013 – 2020) and Chairman Management Board Insurance (2013 – 2014) |
| 2011 – 2013 | CEO of ING Belgium and Luxembourg, ING |
| 2010 – 2011 | Head of Network Management for Retail Banking Direct & International, ING |
| 2007 – 2010 | Global Head of the Commercial Banking network, ING |
| 2005 – 2007 | CEO of ING Bank Netherlands, ING |
| 2002 – 2005 | General Manager of the ING Bank branch network, ING |

Education

- Master's degree, business econometrics and operations research, Tilburg University, Netherlands

Other activities and functions

- Member of the Board of the Swiss-American Chamber of Commerce
- Member of the Institut International d'Etudes Bancaires
- Member of the IMD Foundation Board
- Member of the McKinsey Advisory Council
- Member of the World Economic Forum International Business Council
- Governor of the Financial Services / Banking Community of the World Economic Forum
- Member of the International Advisory Panel, Monetary Authority of Singapore
- Member of the Board of the Institute of International Finance



Christian Bluhm

Group Chief Risk Officer, member of the GEB since 2016

Nationality: German | **Year of birth:** 1969

Christian Bluhm has been Group Chief Risk Officer since 2016. He held several positions in academia before starting his banking career in 1999 with Deutsche Bank in credit risk management, and subsequently working for Hypovereinsbank and Credit Suisse in the same area. Before joining UBS, he used his expertise and skills as Chief Risk & Financial Officer at FMS Wertmanagement. Mr. Bluhm is responsible for the development of the Group's risk management and control framework for various risk categories and implementation of its independent control frameworks.

Professional experience

| | |
|-------------|--|
| 2016 – date | Group Chief Risk Officer, UBS Group AG, and Chief Risk Officer, UBS AG |
| 2012 – 2015 | Spokesman of the Executive Board, FMS Wertmanagement |
| 2010 – 2015 | Chief Risk & Financial Officer, FMS Wertmanagement |
| 2004 – 2009 | Managing Director, Credit Risk Management (Switzerland and Private Banking worldwide), Credit Suisse |
| 2008 – 2009 | Head Credit Risk Management Analytics & Instruments, Credit Suisse |
| 2004 – 2008 | Head of Credit Portfolio Management, Credit Suisse |
| 2001 – 2004 | Head Structured Finance Analytics, Group Credit Portfolio Management, Hypovereinsbank |

Education

- Master's degree, mathematics and informatics, and doctorate, mathematics, University of Erlangen-Nuremberg, Germany

Non-listed company boards

- Chairman of the Board of Christian Bluhm Photography AG

Other activities and functions

- Member of the Board of UBS Switzerland AG
- Member of the Foundation Board of the UBS Pension Fund
- Member of the Foundation Board International Financial Risk Institute



Mike Dargan

Group Chief Digital and Information Officer, member of the GEB since 2021

Nationality: British | **Year of birth:** 1977

Mike Dargan was appointed Group Chief Digital and Information Officer (CDIO) in May 2021 after leading our Group Technology function since joining UBS in 2016. In addition to his CDIO remit, where he oversees global functions such as technology and corporate services, he is also Group Executive Board sponsor for our firm's digital assets strategy and a co-sponsor of both our AI, Data and Analytics center of expertise (along with Robert Karofsky) and our agile transformation. Prior to joining UBS, Mr. Dargan held various senior roles in technology, corporate strategy and investment banking at Standard Chartered Bank, Merrill Lynch and Oliver Wyman.

Professional experience

| | |
|------------------|--|
| May 2021 – date | Group CDIO, UBS Group AG, and CDIO, UBS AG |
| Oct. 2021 – date | President of the Executive Board, UBS Business Solutions AG |
| 2016 – 2021 | Head Group Technology, UBS |
| 2015 – 2016 | CIO for Corporate and Institutional Banking, Standard Chartered Bank |
| 2014 – 2015 | Global Group Technology and Operations Head for Global Markets, Wealth Management, Private Banking and Securities Services, Group Technology and Operations Engineering, Standard Chartered Bank |
| 2013 – 2014 | CIO for Financial Markets, Standard Chartered Bank |
| 2009 – 2013 | Global Head of Strategy and Corporate M&A, Global Markets, Standard Chartered Bank |
| 2005 – 2009 | Head Corporate Strategy & M&A, EMEA and Pacific Rim, Merrill Lynch |

Education

- Master's degree, politics, philosophy and economics, St. John's College, University of Oxford

Non-listed company boards

- Member of the Board of Directors of Done Next Holdings AG

Other activities and functions

- Member of the Board of UBS Business Solutions AG
- Member of the Board of UBS Optimus Foundation
- Member of the Board of Trustees of the Inter-Community School Zurich



Suni Harford

President Asset Management, member of the GEB since 2019

Nationality: American (US) | **Year of birth:** 1962

Suni Harford was appointed President Asset Management in 2019 and is the Chair of UBS Optimus Foundation. Ms. Harford has been the UBS GEB Lead for Sustainability and Impact since May 2021. She started her Wall Street career at Merrill Lynch & Co., in investment banking, before embarking on a 24-year career at Citigroup Inc., the last nine years of which she was the Regional Head of Markets for North America. Ms. Harford joined UBS in 2017, bringing with her a broad experience from across the industry, including in research, client coverage and risk management, and successfully led UBS Asset Management's integrated investments capabilities, driving performance for its clients.

Professional experience

| | |
|-------------|---|
| 2019 – date | President Asset Management, UBS Group AG and UBS AG |
| 2017 – 2019 | Head of Investments, Asset Management, UBS |
| 2008 – 2017 | Regional Head of Markets for North Americas, Citigroup Inc. |
| 2004 – 2008 | Global Head of Fixed Income Research, Citigroup Inc. |

Education

- Bachelor's degree, physics and mathematics, Denison University, Ohio
- MBA, Tuck School of Business, Dartmouth College, New Hampshire

Other activities and functions

- Chairman of the Board of Directors of UBS Asset Management AG
- Chair of the Board of UBS Optimus Foundation
- Member of the Leadership Council of the Bob Woodruff Foundation



Naureen Hassan

President UBS Americas, member of the GEB since October 2022

Nationality: American (US) | **Year of birth:** 1971

Naureen Hassan was appointed President UBS Americas and CEO of UBS Americas Holding LLC in October 2022. She joined UBS from the Federal Reserve Bank of New York, where she was COO and First Vice President. After starting her career at McKinsey & Company, Ms. Hassan held various business transformation, strategy, and client experience leadership roles at Charles Schwab Corporation. As Chief Digital Officer at Morgan Stanley Wealth Management, she led the digital strategy and executed digital transformation of the wealth management business to improve client experience and financial advisor effectiveness and efficiency.

Professional experience

| | |
|-------------------|---|
| Oct. 2022 – date | President UBS Americas, UBS Group AG and UBS AG CEO, UBS Americas Holding LLC |
| 2021 – Sept. 2022 | First Vice President and COO, Federal Reserve Bank of New York |
| 2016 – 2020 | Chief Digital Officer, Wealth Management, Morgan Stanley |
| 2014 – 2016 | Executive Vice President, Investor Services Segments & Platforms, Charles Schwab Corporation |
| 2014 | Senior Vice President, Business Process Transformation, Charles Schwab Corporation |
| 2012 – 2014 | Senior Vice President, Advisor Services Client Experience & Strategic Integration, Charles Schwab Corporation |
| 2010 – 2012 | COO and Board Director, Charles Schwab Corporation |
| 2003 – 2010 | Various senior positions at Charles Schwab Corporation |

Education

- Bachelor's degree, economics, Princeton University
- Master's degree, business administration, Stanford University Graduate School of Business

Other activities and functions

- Member of the Board of UBS Americas Holding LLC
- Member of the Board of the Securities Industry and Financial Markets Association



Robert Karofsky

President Investment Bank, member of the GEB since 2018

Nationality: American (US) | **Year of birth:** 1967

Robert Karofsky was appointed Co-President of the Investment Bank in 2018. He became sole President in April 2021. Before joining UBS, he acquired know-how in investment banking as an analyst and trader, working for various financial institutions such as Morgan Stanley, Deutsche Bank and AllianceBernstein. He then became Global Head of Equities at UBS, responsible for driving UBS's growth strategy for equities globally. In October 2021, Mr. Karofsky was appointed to the additional role of UBS GEB sponsor to co-lead the AI, Data and Analytics center of expertise, along with Mike Dargan.

Professional experience

| | |
|------------------|--|
| Apr. 2021 – date | President Investment Bank, UBS Group AG and UBS AG |
| 2018 – Mar. 2021 | Co-President Investment Bank, UBS |
| 2015 – 2021 | President UBS Securities LLC, UBS |
| 2014 – 2018 | Global Head Equities, UBS |
| 2011 – 2014 | Global Head of Equity Trading, AllianceBernstein |
| 2008 – 2010 | Co-Head of Global Equities, Deutsche Bank |
| 2005 – 2008 | Head of North American Equities, Deutsche Bank |

Education

- Bachelor's degree, economics, Hobart and William Smith Colleges, New York
- MBA, finance and statistics, University of Chicago's Booth School of Business

Other activities and functions

- Member of the Board of UBS Americas Holding LLC
- Member of the Board of UBS Optimus Foundation
- Trustee of the UBS Americas Inc. Political Action Committee



Sabine Keller-Busse

President Personal & Corporate Banking and President UBS Switzerland, member of the GEB since 2016

Nationality: Swiss and German | **Year of birth:** 1965

Sabine Keller-Busse was appointed President Personal & Corporate Banking and President UBS Switzerland in 2021, heading the leading universal bank in Switzerland. In her previous role as Group COO, she oversaw global functions such as technology, operations, human resources and corporate services. She has been pivotal in driving business alignment, and digital and cultural transformation, while also facilitating business growth as President UBS Europe, Middle East and Africa. Ms. Keller-Busse also brings in-depth experience regarding financial market infrastructure, having served on the Board of SIX Group for nine years.

Professional experience

| | |
|------------------|--|
| Feb. 2021 – date | President Personal & Corporate Banking and President UBS Switzerland, UBS Group AG |
| Feb. 2021 – date | President of the Executive Board, UBS Switzerland AG |
| 2019 – 2021 | President UBS Europe, Middle East and Africa, UBS |
| 2018 – 2021 | Group COO of UBS and President of the Executive Board, UBS Business Solutions AG |
| 2016 – 2021 | Member of the Executive Board of UBS AG |
| 2014 – 2017 | Group Head Human Resources, UBS |
| 2010 – 2014 | COO UBS Switzerland, UBS |

Education

- Master's degree, economic sciences, University of St. Gallen
- Ph.D., economic sciences (Dr. oec.), University of St. Gallen

Listed company boards

- Member of the Board of Zurich Insurance Group

Other activities and functions

- Member of the Foundation Council of the UBS International Center of Economics in Society
- Member of the Board and Board Committee of Zurich Chamber of Commerce
- Member of the Board of the University Hospital Zurich Foundation
- Member of the Board of Trustees of the Swiss Entrepreneurs Foundation



Iqbal Khan

President Global Wealth Management and President UBS Europe, Middle East and Africa, member of the GEB since 2019

Nationality: Swiss | **Year of birth:** 1976

Iqbal Khan has been President Global Wealth Management since October 2022 and President UBS Europe, Middle East and Africa since February 2021. From 2019 until September 2022, he was Co-President Global Wealth Management. Mr. Khan joined Ernst & Young in 2001, holding many leadership positions and becoming the youngest-ever partner of the firm's Swiss arm; when leaving Ernst & Young, he was lead auditor of UBS. In 2013, he moved to Credit Suisse, holding senior leadership positions as CFO Private Banking & Wealth Management and later CEO International Wealth Management.

Professional experience

| | |
|-------------------|--|
| Oct. 2022 – date | President Global Wealth Management, UBS Group AG and UBS AG |
| Feb. 2021 – date | President UBS Europe, Middle East and Africa, UBS Group AG and UBS AG |
| 2019 – Sept. 2022 | Co-President Global Wealth Management, UBS |
| 2015 – 2019 | CEO International Wealth Management, Credit Suisse |
| 2013 – 2015 | CFO Private Banking & Wealth Management, Credit Suisse |
| 2011 – 2013 | Managing Partner Assurance and Advisory Services – Financial Services, Ernst & Young |
| 2009 – 2011 | Industry Lead Partner Banking and Capital Markets, Switzerland and EMEA Private Banking, Ernst & Young |
| 2001 – 2009 | Various positions in Ernst & Young |

Education

- Swiss Certified Public Accountant
- Advanced Master of International Business Law degree (LL.M.), University of Zurich

Other activities and functions

- Member of the Supervisory Board of UBS Europe SE
- Member of the Board of UBS Optimus Foundation
- Member of the Board of Room to Read Switzerland



Edmund Koh

President UBS Asia Pacific, member of the GEB since 2019

Nationality: Singaporean | **Year of birth:** 1960

Edmund Koh has been President UBS Asia Pacific since 2019. He is a financial sector veteran, with more than 30 years in senior roles in financial services, including as Head Wealth Management Asia Pacific, Country Head Singapore and Head Wealth Management South-East Asia and Asia Pacific Hub for UBS. Before working for DBS Bank in Singapore, Mr. Koh was CEO for Prudential Assurance and Alverdine Pte Ltd, both companies based in Singapore. He joined UBS from Taiwan-based Ta Chong Bank, where he served as President and Director.

Professional experience

| | |
|-------------|--|
| 2019 – date | President UBS Asia Pacific, UBS Group AG and UBS AG |
| 2016 – 2018 | Head Wealth Management Asia Pacific, UBS |
| 2012 – 2018 | Country Head Singapore, UBS |
| 2012 – 2015 | Head Wealth Management South-East Asia and Asia Pacific Hub, UBS |
| 2008 – 2012 | President and Director, Ta Chong Bank, Taiwan |
| 2001 – 2008 | Managing Director and Regional Head, Consumer Banking Group, DBS Bank, Singapore |

Education

- Bachelor's degree, psychology, University of Toronto

Non-listed company boards

- Member of the Board of Trustees of the Wealth Management Institute, Singapore
- Member of the Board of Next50 Limited, Singapore
- Member of the Board of Medico Suites (S) Pte Ltd
- Member of the Board of Curbside Pte Ltd

Other activities and functions

- Member of a sub-committee of the Singapore Ministry of Finance's Committee on the Future Economy
- Member of the Financial Centre Advisory Panel of the Monetary Authority of Singapore
- Council member of the Asian Bureau of Finance and Economic Research
- Trustee of the Cultural Matching Fund, Singapore
- Member of University of Toronto's International Leadership Council for Asia



Barbara Levi

Group General Counsel, member of the GEB since 2021

Nationality: Italian | **Year of birth:** 1971

Barbara Levi has been Group General Counsel since November 2021. A qualified attorney-at-law, she has been admitted to the Supreme Court of the United States, the New York State bar and the bar of Milan, Italy, and has worked in several law firms in New York and Milan. Ms. Levi began her corporate career with Novartis Group in 2004 and worked there for 16 years, holding a number of senior legal roles across Europe. Before joining UBS, she served as Chief Legal Officer & External Affairs at Rio Tinto Group and, before that, as General Counsel. In both roles, she was a member of that company's executive committee.

Professional experience

| | |
|------------------|--|
| Nov. 2021 – date | Group General Counsel, UBS Group AG, and General Counsel, UBS AG |
| 2021 | Chief Legal Officer & External Affairs, Rio Tinto Group |
| 2020 – 2021 | Group General Counsel, Rio Tinto Group |
| 2019 | Group Legal Head, M&A and Strategic Transactions, Novartis |
| 2016 – 2019 | Global General Counsel, Sandoz International GmbH, Novartis |
| 2014 – 2016 | Global Legal Head, Product Strategy & Commercialization, Novartis |
| 2013 – 2014 | Global Legal Head, TechOps, Primary Care and Established Medicines, Novartis |
| 2009 – 2013 | Head of Legal & Compliance, Region Asia-Pacific, Middle East, and African Countries, Region Group Emerging Markets, Novartis |

Education

- Law degree, University of Milan
- Master of Laws (LL.M.), banking, corporate and finance law, Fordham University School of Law, New York

Other activities and functions

- Member of the Employers' Board of the Global Institute for Women's Leadership, King's College London
- Member of the Board of Directors of the European General Counsel Association
- Member of the Legal Committee of the Swiss-American Chamber of Commerce



Markus Ronner

Group Chief Compliance and Governance Officer, member of the GEB since 2018

Nationality: Swiss | **Year of birth:** 1965

Markus Ronner has been Group Chief Compliance and Governance Officer since 2018. He has been with UBS for more than 40 years and held various positions across the firm, including manager of the Group-wide too-big-to-fail program, COO Wealth Management & Swiss Bank, Head Products and Services of Wealth Management & Swiss Bank, COO Asset Management, and Head Group Internal Audit. In his current position, he is responsible at the Group level for the control of all non-financial risks, governmental and regulatory affairs, as well as investigations and governance matters. Since 2022, he also serves as Chairman of UBS Switzerland AG, the leading Swiss universal bank.

Professional experience

| | |
|-------------|---|
| 2018 – date | Group Chief Compliance and Governance Officer, UBS Group AG, and Chief Compliance and Governance Officer UBS AG |
| 2012 – 2018 | Head Group Regulatory and Governance, UBS |
| 2011 – 2013 | Manager Group-wide too-big-to-fail program, UBS |
| 2010 – 2011 | COO Wealth Management & Swiss Bank, UBS |
| 2009 – 2010 | Head Products and Services of Wealth Management & Swiss Bank, UBS |
| 2007 – 2009 | COO Asset Management, UBS |
| 2001 – 2007 | Head Group Internal Audit, UBS |

Education

– Swiss Banking Diploma

Other activities and functions

– Chairman of the Board of Directors of UBS Switzerland AG



Sarah Youngwood

Group Chief Financial Officer, member of the GEB since March 2022

Nationality: American (US) and French | **Year of birth:** 1974

Sarah Youngwood became Group CFO in May 2022. Before joining UBS, Ms. Youngwood was CFO for JPMorgan Chase Consumer & Community Banking, CFO for Firmwide Technology and CFO for Diversity & Inclusion. She set up the data and reporting infrastructure for that company's USD 30bn racial equity commitments. Previously, Ms. Youngwood was Head of Investor Relations and worked in the Financial Institutions Group within JPMorgan's investment bank in Paris, London and New York. She brings in-depth finance expertise to the table and has a strong track record of adding long-term value, and leading agile and data-driven transformations.

Professional experience

| | |
|-----------------|---|
| May 2022 – date | Group CFO, UBS Group AG, and CFO, UBS AG |
| 2020 – 2022 | CFO, Consumer & Community Banking and Diversity & Inclusion, incl. Global Technology, JPMorgan Chase |
| 2016 – 2020 | CFO, Consumer & Community Banking, JPMorgan Chase |
| 2012 – 2016 | Head of Investor Relations, JPMorgan Chase |
| 1997 – 2012 | Investment Bank, Financial Institutions Group, JPMorgan Chase, Paris, London and New York, including Managing Director – Head of Mortgage Coverage activities |

Education

– Master's degree, Business and Finance, ESCP Business School, Paris

Other activities and functions

– Member of the Board of UBS Business Solutions AG
– Advisory Board Member – Wall Street Women's Alliance

Change of control and defense measures

Our Articles of Association (the AoA) do not provide any measures for delaying, deferring or preventing a change of control.

Duty to make an offer

Pursuant to the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015, an investor who has acquired (whether directly, indirectly or in concert with third parties) more than 33⅓% of all voting rights of a company listed in Switzerland, whether such rights are exercisable or not, is required to submit a takeover offer for all listed shares outstanding. We have not elected to change or opt out of this rule.

Clauses on change of control

Neither the terms regulating the Board members' mandate nor any employment contracts with GEB members or employees holding key functions within the Group contain change of control clauses.

All employment contracts with GEB members stipulate a notice period of six months. During the notice period, GEB members are entitled to their salaries and the continuation of existing employment benefits and may be eligible to be considered for a discretionary performance award based on their contribution during their tenure.

In case of a change of control, we may, at our discretion, accelerate the vesting of and / or relax applicable forfeiture provisions of employees' awards.

- › Refer to the "Compensation" section of this report for more information

Auditors

Audit is an integral part of corporate governance. While safeguarding their independence, the external auditors closely coordinate their work with Group Internal Audit (GIA). The Audit Committee and, ultimately, the BoD supervise the effectiveness of audit work.

- › Refer to "Board of Directors" in this section for more information about the Audit Committee

External independent auditors

The 2022 AGM re-elected Ernst & Young Ltd (EY) as auditors for the Group for the 2022 financial year. EY assumes virtually all auditing functions according to laws, regulatory requests and the AoA. Bob Jacob is the EY lead partner in charge of the overall coordination of the UBS Group financial and regulatory audits and the co-signing partner of the financial audit. In 2020, Maurice McCormick became the lead audit partner for the financial statement audit and has an incumbency limit of five years. In 2021, Hannes Smit became the Lead Auditor to the Swiss Financial Market Supervisory Authority (FINMA) with an incumbency limit of seven years. Daniel Martin has been the co-signing partner for the FINMA audit since 2019, with an incumbency limit of seven years.

During 2022, the Audit Committee held 12 meetings with the external auditors.

Review of UBS Group AG and UBS AG audit engagement

EU rules require UBS Europe SE to rotate its external auditors in the 2024 financial year. In connection with this required change, and in consideration of governance best practices, the BoD considered whether it would propose to shareholders a rotation of the Group auditor concurrent with the change at UBS Europe SE. Under the direction of the Audit Committee, UBS conducted a formal review of the Group audit engagement including soliciting proposals from potential auditors. In early 2022, based on the results of this assessment, the BoD decided to retain EY as the Group's external auditors.

Audit effectiveness assessment

The Audit Committee assesses the performance, effectiveness and independence of the external auditors on an annual basis. The assessment is generally based on interviews with senior management and survey feedback from stakeholders across the Group. Assessment criteria include quality of service delivery, quality and competence of the audit team, value added as part of the audit, insightfulness, and the overall relationship with EY. Based on its own analysis and the assessment results, including feedback received as part of the review of the Group audit engagement described above, the Audit Committee concluded that EY's audit has been effective.

Fees paid to external independent auditors

UBS Group AG and its subsidiaries (including UBS AG) paid the following fees (including expenses) to their external independent auditors.

| USD m | For the year ended | |
|--|--------------------|-----------|
| | 31.12.22 | 31.12.21 |
| Audit | | |
| Global audit fees | 49 | 53 |
| Additional services classified as audit (services required by law or statute, including work of a non-recurring nature mandated by regulators) | 7 | 8 |
| Total audit¹ | 56 | 61 |
| Non-audit | | |
| Audit-related fees | 11 | 9 |
| <i>of which: assurance and attestation services</i> | 6 | 4 |
| <i>of which: control and performance reports</i> | 5 | 5 |
| <i>of which: consultation concerning financial accounting and reporting standards</i> | 0 | 0 |
| Tax fees | 2 | 1 |
| All other fees | 1 | 0 |
| Total non-audit¹ | 14 | 10 |

¹ Total audit and non-audit fees amounted to USD 70m for UBS Group AG consolidated as of 31 December 2022 (31 December 2021: USD 72m), of which USD 46m related to UBS AG consolidated (31 December 2021: USD 43m).

Special auditors for potential capital increases

At the AGM on 8 April 2021, BDO AG was reappointed as special auditors for a three-year term of office. Special auditors provide audit opinions in connection with potential capital increases independently from other auditors.

Services performed and fees

The Audit Committee oversees all services provided to UBS by the external auditors. For services requiring the approval from the Audit Committee, a preapproval may be granted either for a specific mandate or in the form of a blanket preapproval authorizing a limited and well-defined type and scope of services. The fees (including expenses) paid to EY are set forth in the table above. In addition, EY received USD 35.2m in 2022 (USD 34.1m in 2021) for services performed on behalf of our investment funds, many of which have independent fund boards or trustees.

Audit work includes all services necessary to perform the audit for the Group in accordance with applicable laws and generally accepted auditing standards, as well as other assurance services that conventionally only the auditor can provide. These include statutory and regulatory audits, attestation services and the review of documents to be filed with regulatory bodies. The additional services classified as audit in 2022 included several engagements for which EY was mandated at the request of FINMA.

Audit-related work consists of assurance and related services traditionally performed by auditors, such as attestation services related to financial reporting, internal control reviews and performance standard reviews, as well as consultation concerning financial accounting and reporting standards.

Tax work involves services performed by professional staff in EY's tax division and includes tax compliance and tax consultation with respect to our own affairs.

"Other" services are permitted services, which include technical IT security control reviews and assessments.

Group Internal Audit

GIA performs the internal auditing role for the Group. It is an independent function that provides expertise and insights to confirm controls are functioning correctly and highlight where UBS needs to better manage current and emerging risks. In 2022, it operated with an average headcount of 585 full-time equivalent employees.

GIA supports the BoD in discharging its governance responsibilities by taking a dynamic approach to audit, issue assurance and risk assessment, drawing attention to key risks in order to drive action to prevent unexpected loss or damage to the firm's reputation. To support the achievement of UBS's objectives, GIA independently, objectively and systematically assesses the:

- (i) soundness of the Group's risk and control culture;
- (ii) reliability and integrity of financial and operational information, including whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and
- (iii) design, operating effectiveness and sustainability of:
 - processes to define strategy and risk appetite, as well as the overall adherence to the approved strategy;
 - governance processes;
 - risk management, including whether risks are appropriately identified and managed;
 - internal controls, specifically whether they are commensurate with the risks taken;
 - remediation activities; and
 - processes to comply with legal and regulatory requirements, internal policies, and the Group's constitutional documents and contracts.

Audit reports that include significant issues are provided to the Group CEO, relevant GEB members and other responsible management. The Chairman, the Audit Committee and the Risk Committee of the BoD are regularly informed of such issues.

In addition, GIA provides independent assurance on the effective and sustainable remediation of control deficiencies within its mandate, taking a prudent and conservative risk-based approach and assessing at the issue level whether the root cause and the potential exposure for the firm have been holistically and sustainably addressed. GIA also cooperates closely with risk control functions and internal and external legal advisors on investigations into major control issues.

To ensure GIA's independence from management, the Head GIA reports to the Chairman of the BoD and to the Audit Committee, which assesses annually whether GIA has sufficient resources to perform its function, as well as its independence and performance. In the Audit Committee's assessment, GIA is sufficiently resourced to fulfill its mandate and complete its auditing objectives. GIA's role, position, responsibilities and accountability are set out in our Organization Regulations and the Charter for GIA, available at ubs.com/governance. The Charter also applies to UBS AG's internal audit function. GIA has unrestricted access to all accounts, books, records, systems, property and personnel, and must be provided with all information and data that it needs to fulfill its auditing responsibilities. GIA also conducts special audits at the request of the Audit Committee, or other BoD members, committees or the Group CEO in consultation with the Audit Committee.

GIA enhances the efficiency of its work through coordination and close cooperation with the external auditors.

Information policy

We provide regular information to our shareholders and to the wider financial community.

Financial reports for UBS Group AG are expected to be published on the following dates:

| | |
|---------------------|-----------------|
| First quarter 2023 | 25 April 2023 |
| Second quarter 2023 | 25 July 2023 |
| Third quarter 2023 | 24 October 2023 |

The annual general meetings of the shareholders of UBS Group AG will take place on the following dates:

| | |
|------|---------------|
| 2023 | 5 April 2023 |
| 2024 | 11 April 2024 |

- › Refer to the corporate calendar available at ubs.com/investors for the dates of the publication of financial reports and other key dates, including the dates of the publication of UBS AG's financial reports

We meet with institutional investors worldwide throughout the year and regularly hold results presentations, attend and present at investor conferences, and, from time to time, host investor days. When appropriate, investor meetings are hosted by senior management and are attended by members of our Investor Relations team. We use various technologies, such as webcasting, audio links and cross-location videoconferencing, to widen our audience and maintain contact with shareholders globally.

We make our publications available to all shareholders simultaneously to provide them with equal access to our financial information.

Our annual and quarterly publications are available in a fully digital and .pdf format at ubs.com/investors, under “Financial information.” Starting with our Annual Report 2022, we no longer provide printed copies of our Annual Report and our Compensation Report in any language.

- › Refer to ubs.com/investors for a complete set of published reporting documents and a selection of senior management industry conference presentations
- › Refer to the “Information sources” section of this report for more information
- › Refer to “Corporate information” and “Contacts” of this report for more information

Financial disclosure principles

We fully support transparency, and consistent and informative disclosure. We aim to communicate our strategy and results in a manner that enables stakeholders to gain a good understanding of how our Group operates, what our growth prospects are, and the risks that our businesses and our strategy entail. We assess feedback from analysts and investors on a regular basis and, where appropriate, reflect this in our disclosures. To continue achieving these goals, we apply the following principles in our financial reporting and disclosure:

- *transparency* that enhances the understanding of economic drivers and builds trust and credibility;
- *consistency* within each reporting period and between reporting periods;
- *simplicity* that allows readers to gain a good understanding of the performance of our businesses;
- *relevance*, by focusing not only on what is required by regulation or statute but also on what is relevant to our stakeholders; and
- *best practice* that leads to improved standards.

We regard the continuous improvement of our disclosures as an ongoing commitment.

Financial reporting policies

We report our Group’s results for each financial quarter, including a breakdown of results by business division and disclosures or key developments relating to risk management and control, capital, liquidity and funding management. Each quarter, we publish quarterly financial reports for UBS Group AG, on the same day as the earnings releases.

The consolidated financial statements of UBS Group AG and UBS AG are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

- › Refer to “Note 1 Summary of material accounting policies” in the “Consolidated financial statements” section of this report for more information about the basis of accounting

We are committed to maintaining the transparency of our reported results and to allowing analysts and investors to make meaningful comparisons with prior periods. If there is a major reorganization of our business divisions or if changes to accounting standards or interpretations lead to a material change in the Group’s reported results, our results are restated for previous periods as required by applicable accounting standards. These restatements show how our results would have been reported on the new basis and provide clear explanations of all relevant changes.

US disclosure requirements

As a foreign private issuer, we must file reports and other information, including certain financial reports, with the US Securities and Exchange Commission (the SEC) under the US federal securities laws.

An evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a–15e) under the US Securities Exchange Act of 1934 has been carried out, under the supervision of management, including the Group CEO, the Group CFO and the Group Controller and Chief Accounting Officer. Based on that evaluation, the Group CEO and the Group CFO concluded that our disclosure controls and procedures were effective as of 31 December 2022. No significant changes have been made to our internal controls or to other factors that could significantly affect these controls subsequent to the date of their evaluation.

- › Refer to the “Consolidated financial statements” section of this report for more information

Compensation

Table of contents

| | |
|------------|---|
| 201 | Compensation |
| 204 | 2022 key compensation themes |
| 206 | Say-on-pay |
| 207 | Compensation philosophy and governance |
| 214 | Compensation for GEB members |
| 222 | Group compensation |
| 229 | Compensation for the Board of Directors |
| 232 | Supplemental information |

Compensation



Julie G. Richardson
Chairperson of the
Compensation Committee
of the Board of Directors

Dear Shareholders,

The Board of Directors (the BoD) and I wish to thank you for your support once again at last year's Annual General Meeting (the AGM) and for sharing your views on our compensation practices over the past year.

Throughout 2022, the BoD Compensation Committee continued to oversee the compensation process, aiming to ensure that reward reflects performance, that risk-taking is appropriate and that employees' interests are aligned with those of our stakeholders. As the Chairperson of the Compensation Committee, I am pleased to present our Compensation Report for 2022.

As part of our ongoing engagement with shareholders during 2022, we received positive feedback on our compensation framework. We believe it is well suited to support our ambitions for the Group and provides strong alignment with shareholders. Its robustness supports pay-for-performance through varying business cycles and incentivizes both annual and longer-term performance. In addition to other measures taken in light of the increasing competition for talent, our compensation framework further reinforces the attractiveness of UBS for key talent.

Supporting our clients and executing in a challenging environment

The macroeconomic and geopolitical environment has become increasingly complex. Our clients remain focused on key issues, such as potential persistently high inflation, elevated energy prices, the war in Ukraine and residual effects of the pandemic. The related impact has been far-reaching, affecting asset levels, market volatility, rates and investor sentiment across the globe. Our highly accretive, capital-light business model and disciplined risk management position us well to face the challenges of the current macroeconomic environment.

Sustainable finance is crucial when it comes to helping our clients achieve their diverse sustainability objectives. Leveraging the deep expertise of our experienced teams, we work hard to service our clients' diverse sustainable financing, investing and/or advisory needs in the best way possible. In 2022, we expanded our sustainable investment offering with additional alternative and tailored-investment solutions and progressed a number of important investment product initiatives relevant to a broad spectrum of clients across our business areas.

› Refer to "Financial and operating performance" in our Annual Report 2022 for further details about our Group and business division performance

How does UBS respond to the increasing competition for talent?

- We continue to see heightened competition for talent. These pressures come from our competitors but also organizations in other industries, including technology, consulting and new entrants, such as fintech firms.
- We continue to be successful in hiring the talent we need to grow our businesses, who are increasingly interested in operating digitally, and they value diverse experiences, which requires flexibility and agility. That's one reason why we support hybrid working arrangements where possible as these benefit current employees and improve client service while attracting a wider range of candidates and making us a stronger, more dynamic company.
- Agility drives simplification; we are committed to making it even easier for our clients to do business with us and for our employees to work at UBS. As of year-end 2022, approximately 18,500 employees across the firm were working in agile teams.
- In 2022, we further expanded our employee health and well-being offering. This included a suite of programs, benefits and workplace resources, along with a bespoke eLearning curriculum, that aimed to help our employees manage their health, foster well-being, strengthen their resilience and support the sustainability of the organization.
- Ultimately, we strongly reflect pay-for-performance in our compensation decision-making, and additionally consider carefully inflation levels and our competitive market position.

› Refer to ubs.com/global/en/our-firm/our-employees for more information about our workforce

GEB hiring and succession planning

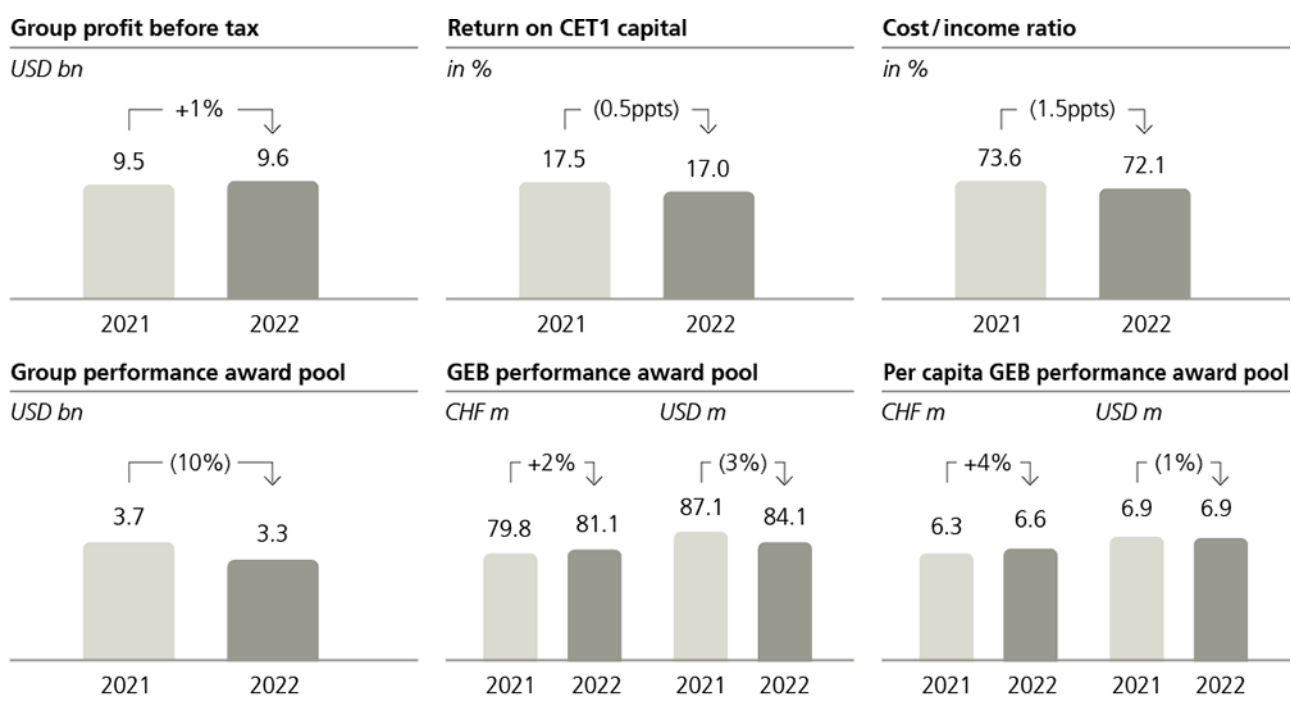
Succession planning is a pivotal activity for the BoD. We are convinced that a Group Executive Board (GEB) with diverse backgrounds and experiences is critical to our continued success. We have a successful track record of filling GEB roles with highly qualified, diverse candidates from within the Group and, in selected cases, from the outside. In order to attract external top talent, market practice dictates that we consider replacing the forfeited compensation from their prior employer. In selected situations and with careful consideration, we replace the lost compensation of senior hires. Awards for new GEB members are subject to independent review to support the like-for-like nature of the replacement and confirm that these awards do not represent sign-on payments (i.e., there are no “golden hellos”). In 2022, we made two external GEB hires and in this report we disclose their replacement awards.

Financial performance

We delivered good results in 2022, with USD 9.6bn profit before tax and 17.0% RoCET1 in a challenging environment, achieving our Group returns and efficiency targets on a reported and underlying basis. This result was supported by strong momentum with our clients, who turned to us for advice, resulting in USD 60bn of net new fee-generating assets. We also demonstrated continued cost discipline despite the backdrop of rising inflation, resulting in a cost-income ratio of 72.1%. We are well positioned to continue executing our growth strategy and delivering strong capital returns, while weathering the challenges of the current macroeconomic environment. We enter 2023 in a position of strength and with a CET1 capital ratio of 14.2%, enabling us to fund growth and deliver attractive and sustainable returns to shareholders.

Commitment to return capital to shareholders

We remain committed to returning excess capital to our shareholders. We repurchased USD 5.6bn of shares in 2022. Looking ahead, we intend to continue repurchasing shares and accruing for a progressive dividend. The BoD is proposing a dividend of USD 0.55 per share for 2022 (which represents an increase of 10% compared with the previous year) for approval at the AGM in 2023.



Note: As the compensation-related AGM agenda items are in Swiss franc terms, we show the total and per capita GEB performance award pool in Swiss francs and US dollars for comparability with our financial results.

2022 performance award pool and salaries

The performance award pool continues to reflect our strict pay-for-performance philosophy, our disciplined approach in managing compensation over business cycles and our alignment to shareholder interests. Reflecting our overall results while also considering our underlying results, the 2022 performance award pool was USD 3.3bn, a decrease of 10% compared with 2021.

In addition, the pool also reflects our achievements relative to non-financial objectives, such as our reconfirmed position among the leading firms when it comes to their approach to sustainability. It also takes into account risk considerations, as well as the competitive total shareholder return (TSR) of UBS shares versus our core peers. It also considers other factors, such as the continuing competition to attract and retain a talented and diverse workforce that delivers on our purpose and strategy.

While the 2022 GEB pool percentage change appears more favorable than the overall Group pool, this year's GEB comparison is impacted by the significant reduction made in 2021 to reflect the loss resulting from the default of a US client in our prime brokerage business. For 2022, we consider a GEB pool before the impact of the 2021 loss event to support competitive pay for competitive performance and not to carry forward the 2021 impact over multiple years. In addition, the 2022 GEB pool reflects changes in both foreign exchange rates and GEB composition. Adjusted for the direct impact of the 2021 loss event on specific GEB members, the 2022 GEB pool is down approximately 5% in Swiss franc terms or a decrease of 10% in US dollar terms, which is aligned with the Group pool development.

We take note of the increased impact of inflationary pressures on the broad-based employee population. At a Group level, we have carefully monitored and adjusted compensation levels where appropriate to address increased competition for talent in certain markets. For the GEB, we continue with the same salary level instituted in 2011 and propose no increase to our GEB fixed compensation budget and salary levels for 2024. Furthermore, we also propose no increase to the fee levels for the BoD and no change to the maximum aggregate amount for BoD from the 2023 AGM to the 2024 AGM.

Commitment to fair pay and diversity, equity and inclusion

Pay equity and equal opportunity are fundamental to achieving our purpose. We pay for performance, and we take pay equity seriously. Since 2020, we have been certified under the EQUAL-SALARY Foundation standards for our human resources practices in Switzerland, the US, the UK, the Hong Kong SAR and Singapore, covering more than two-thirds of our global employee population. Our processes are global and we apply the same standards across all our locations.

In 2022, we extended our internal fair pay analysis by assessing employees' salaries against local living wages, using benchmarks defined by the Fair Wage Network. We are committed to fair pay and support all employees being paid at least a living wage.

In 2020, we outlined our intention to increase diversity, especially among management, and we have made steady progress toward achieving our aspirations. Women now account for more than 40% of our workforce, nearly 28% of our Director-level and above population, and 42% of our GEB members.

The 2023 Annual General Meeting

At the 2023 AGM on 5 April, we will seek your support on the following compensation-related items:

- the maximum aggregate amount of compensation for the BoD for the period from the 2023 AGM to the 2024 AGM;
- the maximum aggregate amount of fixed compensation for the GEB for 2024;
- the aggregate amount of variable compensation for the GEB for 2022; and
- shareholder endorsement in an advisory vote for this Compensation Report.

On behalf of the Compensation Committee and the BoD, I thank you again for your feedback and we respectfully ask for your continued support at the upcoming AGM.



Julie G. Richardson
Chairperson of the Compensation Committee of the
Board of Directors

2022 key compensation themes

The feedback we seek from our shareholders about compensation-related topics is very important to us, as we are committed to maintaining a strong link between the interests of our employees and those of our shareholders. We continued engaging with shareholders during 2022 and received overall positive feedback about our compensation framework.

The text below summarizes key compensation themes for 2022 and provides answers to the questions we most frequently receive from shareholders.

Summary of 2022 key compensation themes / responses to frequently asked questions

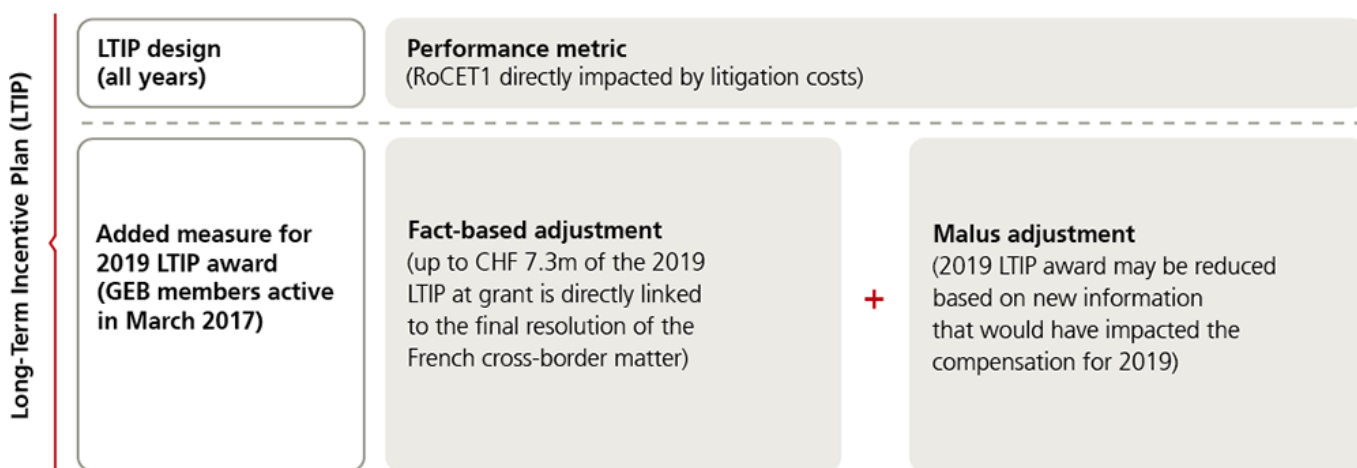
What progress has been made on resolving the French cross-border matter and how is this reflected in GEB compensation?

In December 2021, UBS filed an appeal with the French Supreme Court regarding the decision of the Court of Appeal relating to the French cross-border matter. This matter remains ongoing and was considered in the decision-making process for our 2021 performance award pool.

The use of the RoCET1 metric aims to ensure the cost of litigation matters, including the French cross-border matter, has an ongoing and direct impact on the compensation awarded and realized by our most senior leaders, including the GEB. Additionally, when determining the 2019 performance award pool, the impact of the French cross-border matter was considered in our decision making, following the verdict of the Court of First Instance in early 2019.

Furthermore, up to CHF 7.9m, or 30%, of the 2019 LTIP awards at grant for GEB members active in March 2017, as well as the former Chairman of the BoD's unvested share award, remains undelivered and continues to be at risk and directly linked to the final resolution of the French cross-border matter. In addition, a malus clause allows the Compensation Committee to assess any new information that becomes available in the future and to retrospectively reduce any undelivered 2019 LTIP award by up to the full amount if such new information would have impacted our compensation decision in 2019. This matter continues to be ongoing and, once resolved, the final outcome will be reflected in the final amounts delivered to relevant current and former employees.

Impact of litigation matters on the LTIP



Note: As disclosed in the Compensation Report 2019.

How does UBS support diversity and pay fairness?

Compensating employees fairly and consistently is key to ensuring equal opportunities. A strong commitment to pay for performance and pay equity is embedded in our compensation policies.

- › Refer to “Environmental, Social and Governance considerations” in the “Compensation philosophy and governance” section of this report for more information about pay fairness
- › Refer to the “People and culture make the difference” section of our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information about diversity, equity and inclusion (DE&I)

How are environmental, social and governance considerations factored into the compensation process?

We maintain our well-established process that considers environmental, social and governance (ESG) objectives in the compensation determination process in objective setting, performance award pool funding, performance evaluation and compensation decisions.

- › Refer to “Environmental, Social and Governance considerations” in the “Compensation philosophy and governance” section of this report for more information

How does UBS promote and support the health and well-being of employees?

Supporting employee health and well-being remained a priority, and we further expanded our offering in 2022. We are committed to helping employees thrive in their current roles and deliver sustainable performance over time. Regular “pulse” surveys gauged employees’ views on remote work, stress, communication and other aspects. Resources to support holistic well-being included a suite of programs, benefits and workplace resources, along with a bespoke eLearning curriculum, that aimed to help our employees manage their health, foster well-being, strengthen their resilience and support the sustainability of the organization.

- › Refer to the “People and culture make the difference” section of our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information about DE&I

What is the achievement level of the Long-Term Incentive Plan granted in 2020 for 2019 performance?

The deferred portion of the performance award granted in 2020 (for 2019 performance) to members of the Group Executive Board (the GEB) and selected senior management was in part delivered through the Long-Term Incentive Plan (the LTIP) award. The three-year performance period concluded at the end of 2022, with the 2019 LTIP achieving 98% of the maximum opportunity (of up to 100%). We believe alignment of our senior leadership with our shareholders is important for long-term success. Our LTIP is designed to support alignment of compensation with the execution of our strategy, financial performance and long-term growth.

Performance achievement for the 2019 LTIP awarded in 2020

| Performance metrics | Performance metric outcome | | 2019 LTIP achievement level | | |
|--|----------------------------|---------|---|-------------------|--|
| | Threshold | Maximum | Threshold | Maximum | |
| RoCET1 (Weight: 50%) | 6% | 18% | 33% | 100% | <div style="border: 1px solid black; padding: 5px; text-align: center;"> <i>Outcome above maximum: achievement capped at 100%</i> </div> |
| | Outcome: 17.3% | | <div style="border: 1px solid black; padding: 5px; text-align: center;"> <i>Outcome below threshold: full forfeiture</i> </div> | Achievement: 96% | |
| rTSR (Weight: 50%) | -25ppts | +25ppts | 33% | 100% | <div style="border: 1px solid black; padding: 5px; text-align: center;"> <i>Outcome above maximum: achievement capped at 100%</i> </div> |
| | Outcome: 50.9ppts | | <div style="border: 1px solid black; padding: 5px; text-align: center;"> <i>Outcome below threshold: full forfeiture</i> </div> | Achievement: 100% | |
| Overall 2019 LTIP achievement level | | | Overall achievement: 98% | | |

Say-on-pay

Say-on-pay votes at the AGM

In line with the revised Swiss Code of Obligations (which to a large extent integrates the Swiss Ordinance against Excessive Compensation in Listed Stock Corporations, which was enacted as an interim measure), we seek binding shareholder approval for the aggregate compensation awarded to the Group Executive Board (the GEB) and the Board of Directors (the BoD). Prospective approval of the fixed compensation of the BoD and GEB provides the firm and its governing bodies with the certainty needed to operate effectively. Retrospective approval of the GEB's variable compensation aligns their compensation with performance and contribution.

The table below outlines our compensation proposals, including supporting rationales, that we plan to submit to the 2023 AGM for binding votes, in line with the revised Swiss Code of Obligations and our Articles of Association (the AoA).

These binding votes on compensation and the advisory vote on our compensation report reflect our commitment to shareholders having their say on pay.

- › Refer to **"Provisions of the Articles of Association related to compensation"** in the **"Supplemental information"** section of this report for more information

Audited |

Approved fixed compensation

At the 2021 AGM, the shareholders approved a maximum aggregate fixed compensation amount of CHF 33.0m for GEB members for the 2022 performance year. This budget reflects base salaries, role-based allowances in response to EU Capital Requirements Directive V, and estimated standard contributions to retirement benefit plans, as well as other benefits.

Our expenses related to fixed compensation for our continuing GEB members were within the budget; however, the amount of fixed compensation, including replacement awards, related to the hiring of Sarah Youngwood as Group Chief Financial Officer and Naureen Hassan as President UBS Americas, required the use of the supplemental amount as authorized by article 46 para. 5 of our AoA. A total of CHF 0.1m (of which CHF 0.05m related to Sarah Youngwood and CHF 0.05m related to Naureen Hassan) was used to fund the authorized excess to the approved aggregate amount of fixed compensation. ▲

- › Refer to **"2022 total compensation for the GEB members"** in the **"Compensation for GEB members"** section of this report

Compensation-related proposals for binding and advisory votes at the 2023 AGM

| Item | Approved at the 2022 AGM | BoD proposals for the 2023 AGM | Rationale |
|---|--|--|---|
| GEB variable compensation | Shareholders approved CHF 79,750,000 for the 2021 financial year ^{1,2,3} (vote "for": 86%) | The BoD proposes an aggregate amount of variable compensation of CHF 81,100,000 for the members of the GEB for the 2022 financial year. | The proposed pool reflects the solid performance of the GEB as demonstrated in the strength of our share price and the good performance of the Group in a challenging market environment. For 2022, we consider a GEB pool excluding the impact of the 2021 loss event to support competitive pay for competitive performance and not to carry forward the 2021 impact over multiple years. Adjusted for the direct impact of the 2021 loss event on specific GEB members, the 2022 GEB pool is down approximately 5% in Swiss franc terms or a decrease of 10% in US dollar terms, which is aligned with the Group pool development. |
| GEB fixed compensation | Shareholders approved CHF 33,000,000 for the 2023 financial year ^{1,2,3} (vote "for": 93%) | The BoD proposes a maximum aggregate amount of fixed compensation of CHF 33,000,000 for the members of the GEB for the 2024 financial year. | The proposed amount is unchanged from the previous year, reflecting consistency in planning over time and unchanged base salaries for the Group CEO and other GEB members. Besides the base salaries, it also includes role-based allowances, estimated standard contributions to retirement benefit plans, as well as other benefits. The proposed amount provides flexibility in light of potential changes of GEB composition or roles, competitive considerations where potential additional role-based allowances may be required as well as other factors (e.g., changes in FX rates or benefits). |
| BoD compensation | Shareholders approved CHF 13,000,000 for the period from the 2022 AGM to the 2023 AGM ^{1,2,4} (vote "for": 93%) | The BoD proposes a maximum aggregate amount of compensation of CHF 13,000,000 for the members of the BoD for the period from the 2023 AGM to the 2024 AGM. | The proposed amount is unchanged compared with the previous period and includes the total compensation of the Chairman and the newly defined Vice Chairman role. The compensation for the Chairman is approximately 8% lower compared with the previous Chairman. The fee for the new full-time Vice Chairman role was absorbed within the existing budget. All BoD fees remain unchanged for the period 2023 AGM to 2024 AGM. |
| Advisory vote on the Compensation Report | Shareholders approved the UBS Group AG Compensation Report 2021 in an advisory vote (vote "for": 86%) | The BoD proposes that the UBS Group AG Compensation Report 2022 be ratified in an advisory vote. | Our Total Reward Principles and compensation framework are fully aligned with our purpose and support our strategic imperatives. This aims to ensure that the interests of our employees are aligned with those of our clients and other stakeholders. |

¹ Local currencies are converted into Swiss francs at the 2022 performance award currency exchange rates. ² Excludes the portion related to the legally required employer's social security contributions. ³ As stated in "Group Executive Board" in the "Corporate governance" section of our Annual Report 2022, twelve GEB members were in office on 31 December 2022 and on 31 December 2021. ⁴ Twelve BoD members were in office on 31 December 2022 and on 31 December 2021.

Compensation philosophy and governance

Our compensation philosophy

Total Reward Principles

Our Total Reward Principles provide a strong link to our strategic imperatives and encourage employees to live our strong and inclusive culture that is grounded in our three keys to success: our Pillars, Principles and Behaviors. These guiding principles underpin our approach to compensation and define our compensation framework. In 2022, we reviewed our Total Reward Principles and compensation framework to confirm they are fully aligned with our purpose and support our strategic imperatives. This aims to ensure that the interests of our employees are aligned with those of our clients and other stakeholders.

Therefore, our compensation approach supports our capital strength and risk management, and provides for simplification and efficiency. It encourages employees to focus on client centricity, connectivity and sustainable impact in everything we do. Moreover, we reward behaviors that help build and protect the firm’s reputation, specifically Accountability with integrity, Collaboration and Innovation. Compensation for each employee is based on individual, team, business division and Group performance, within the context of the markets in which we operate.

Total Reward Principles

Our Total Reward Principles apply to all employees globally, but vary in certain locations according to local legal requirements, regulations and practices. The table below provides a summary of our Total Reward Principles.

| | |
|--|---|
| Support our purpose and strategy | Our compensation approach supports the firm’s purpose and strategy, fosters engagement among employees and aligns their long-term interests with those of clients and stakeholders. |
| Attract, retain and connect a diverse, talented workforce | We embrace a culture of diversity, equity and inclusiveness. Pay at UBS is fair, reflects equal treatment and is competitive. In this way, our investment in a connected workforce supports the sustainability of the organization. |
| Apply a pay-for-performance approach to promote development and our ways of working | The setting of clear objectives, as well as a thorough evaluation of what was achieved and how it was achieved, combined with effective communication, promotes clarity, accountability and establishes a strong link between pay and performance. This approach emphasizes our Behaviors, which are Accountability with integrity, Collaboration and Innovation. |
| Reinforce sustainable growth and support long-term value creation | Compensation is appropriately balanced between fixed and variable elements and delivered over an adequate period to support our growth ambitions and sustainable performance. |
| Support risk awareness and appropriate risk-taking | Our compensation structure encourages employees to have a focus on risk management and behave consistently with the firm’s risk framework and appetite, thereby anticipating and managing risks effectively to protect our capital and reputation. |

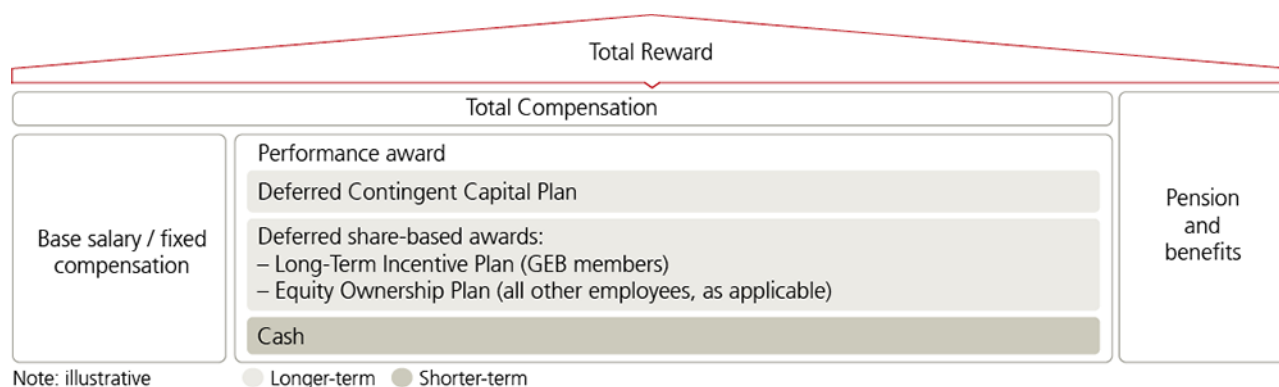
Our Total Reward approach

At UBS, we apply a holistic Total Reward approach, generally consisting of fixed compensation (base salary and role-based allowances, if applicable), performance awards, pension contributions and benefits. Our Total Reward approach is structured to support sustainable results and growth ambitions.

For employees whose total compensation exceeds certain levels, performance awards are delivered in a combination of cash, deferred contingent capital awards and deferred share-based awards.

A substantial portion of performance awards is deferred and vests over a five-year period (or longer for certain regulated employees). This deferral approach supports alignment of employee and investor interests, our capital base and the creation of sustainable shareholder value.

› Refer to “Compensation elements for all employees” in the “Group compensation” section of this report for more information



Compensation governance

Board of Directors and Compensation Committee

The BoD is ultimately responsible for approving the compensation strategy and principles proposed by the Compensation Committee, which determines compensation-related matters in line with the principles set forth in the AoA.

As determined in the AoA and the firm's Organization Regulations, the Compensation Committee supports the BoD with its duties to set guidelines on compensation and benefits, to oversee implementation thereof, to approve certain compensation and to scrutinize executive performance. The Compensation Committee consists of independent BoD members, who are elected annually by shareholders at the AGM, and is responsible for governance and oversight of our compensation process and practices. This includes the alignment between pay and performance, and ensuring that the compensation framework supports appropriate risk awareness and management, as well as appropriate risk-taking. In 2022, to additionally support the connection between the Compensation Committee and the Risk Committee, the Compensation Committee Chairperson was also a member of the Risk Committee.

Annually, and on behalf of the BoD, the Compensation Committee:

- reviews our Total Reward Principles;
- approves key features of the compensation framework and plans for the non-independent Board members and GEB members;
- reviews performance award funding throughout the year and proposes, upon proposal of the Group CEO, the final annual Group performance award pool to the BoD for approval;
- upon proposal of the Group CEO, reviews the performance framework for the other GEB members;
- upon proposal of the Group CEO, proposes the performance assessments and the individual total compensation for the other GEB members for approval by the BoD;
- upon proposal of the Chairman, for the Group CEO, proposes the financial and non-financial performance targets and objectives, the performance assessment and the total compensation for approval by the Board;
- approves the total compensation for the Chairman and the non-independent Board members;
- upon proposal of the Chairman, proposes the remuneration / fee framework for independent Board members for approval by the Board;
- upon proposal of the Chairman and Group CEO, approves the remuneration / fee frameworks for external supervisory board members of Significant Group Entities and is informed of remuneration / fee frameworks for external supervisory board members of Significant Regional Entities;
- proposes to the BoD for approval the annual compensation report and approves other material public disclosures on UBS compensation matters; and
- proposes to the BoD, for approval by the AGM, the maximum aggregate amounts of BoD compensation and GEB fixed compensation and the aggregate amount of variable compensation for the GEB.

The Compensation Committee is required to meet at least four times each year. All meetings in 2022 were held in the presence of the Chairman and the Group CEO and most were attended by external advisors. Individuals, including the Chairman and the Group CEO, are not permitted to attend a meeting or participate in a discussion on their own performance and compensation.

After the meetings, the Chairperson of the Compensation Committee reports to the BoD on the Compensation Committee's activities and discussions and, if necessary, submits proposals for approval by the full BoD. Compensation Committee meeting minutes are also sent to all members of the BoD.

On 31 December 2022, the members of the Compensation Committee were Julie G. Richardson (Chairperson), Dieter Wemmer and Jeanette Wong.

› Refer to "Board of Directors" in the "Corporate governance" section of our Annual Report 2022 for more information

External advisors

The Compensation Committee may retain external advisors to support it in fulfilling its duties. In 2022, HCM International Ltd. (HCM) provided independent advice on compensation matters. HCM holds no other mandates with UBS. Additionally, Willis Towers Watson provided the Compensation Committee with data on market trends and pay levels. Various subsidiaries of Willis Towers Watson provide similar information to UBS's human resources department in relation to compensation for employees. Willis Towers Watson holds no other compensation-related mandates with UBS.

The Risk Committee's role in compensation

The Risk Committee, a committee of the BoD, works closely with the Compensation Committee with the goal of ensuring that our compensation framework appropriately reflects risk awareness and management, and supports appropriate risk-taking. It supervises and sets appropriate risk management and risk control principles and is regularly briefed on how risk is factored into the compensation process. It also monitors the involvement of Group Risk Control and Compliance and Operational Risk in compensation and reviews risk-related aspects of the compensation process.

› Refer to ubs.com/governance for more information

Compensation Committee 2022 / 2023 key activities and timeline

| | April | July | Sept | Oct | Nov | Dec ¹ | Jan | Feb |
|--|-------|------|------|-----|-----|------------------|-----|-----|
| Strategy, policy and governance | | | | | | | | |
| Total Reward Principles | | | ● | | | | | |
| Sustainability / ESG in the compensation process | | ● | | | | ● | ● | |
| Compensation disclosure and stakeholder communication matters | | ● | | | | ● | | ● |
| AGM reward-related items | | ● | | | | | ● | |
| Compensation Committee governance | | | | | | | | ● |
| Annual compensation review | | | | | | | | |
| Accruals and full-year forecast of the performance award pool funding | | ● | | | ● | ● | ● | |
| Performance targets and performance assessment of the Group CEO and GEB members | | ● | | | | ● | ● | |
| Group CEO and GEB members' salaries and individual performance awards | | ● | | | | ● | ● | |
| Update on market practice, trends and peer group matters | ● | ● | | | ● | | ● | |
| Pay for performance, including governance on certain higher-paid employees, and non-standard compensation arrangements | ● | ● | ● | | ● | ● | ● | ● |
| Board of Directors remuneration | | | | | | | ● | |
| Compensation framework | | | | | | | | |
| Compensation framework and deferred compensation matters | | ● | ● | | | | ● | ● |
| Risk and regulatory | | | | | | | | |
| Risk management in the compensation approach and joint meeting with BoD Risk Committee | ● | | | ● | ● | | ● | |
| Regulatory activities impacting employees and engagement with regulators | | ● | | ● | | ● | | ● |

¹ The Compensation Committee held two meetings in December 2022.

Compensation governance

The table below provides an overview of compensation governance by specific role.

| Recipients | Compensation recommendations proposed by | Approved by |
|---|--|--|
| Chairman of the BoD and Vice Chairman of the BoD | Compensation Committee | Compensation Committee ¹ |
| Other BoD members | Compensation Committee and Chairman of the BoD | BoD ¹ |
| Group CEO | Compensation Committee and Chairman of the BoD | BoD ¹ |
| Other GEB members | Compensation Committee and Group CEO | BoD ¹ |
| Key Risk Takers (KRTs) / senior employees | Respective GEB member and functional management team | Individual compensation for KRTs and senior employees: Group CEO |

¹ Aggregate variable compensation and maximum aggregate amount of fixed compensation for the GEB, as well as maximum aggregate remuneration for the BoD, are subject to shareholder approval.

Environmental, Social and Governance considerations

Environmental, social and governance in the compensation determination process

Environmental, social and governance (ESG) objectives are considered in the compensation determination process in objective setting, performance award pool funding, performance evaluation and compensation decisions.

ESG-related objectives have been embedded in our Pillars and Principles since they were established in 2011. In 2021, we introduced explicit sustainability objectives in the non-financial goal category of the Group CEO and GEB scorecards. These sustainability objectives are linked to our priorities, and their progress is measured via robust quantitative metrics and qualitative criteria. The table below provides an overview of our metrics and progress achieved in 2022, including climate-related goals under the priority “Planet.” Sustainability objectives are individually assessed for each GEB member, and consequently directly impact their performance assessments and compensation decisions.

In addition, in the performance award pool funding across the Group, ESG is also reflected through an assessment of progress made against targets linked to our focus areas of Planet, People (including progress made against our diversity ambitions) and Partnerships, alongside other key dimensions. Therefore, ESG is taken into consideration when the Compensation Committee assesses not only what results were achieved but also how they were achieved.

For 2022, we established robust and concrete targets, and made good progress toward achieving them. We continue to increase our focus on this topic.

- › Refer to “GEB performance assessments” in the “Compensation for GEB members” section of this report for more information about the GEB performance measurement process
- › Refer to “Our focus on sustainability and climate,” “Employees” and “Society” in the “How we create value for our stakeholders” section of our Annual Report 2022 for more information
- › Refer to [ubs.com/gri](https://www.ubs.com/gri) for more information about ESG-related topics

Paying our people fairly and equitably

Pay equity and equal opportunity are fundamental to achieving our purpose. To connect for a better world, providing equal support to all our employees, with their diverse experiences, perspectives and backgrounds, is critical to our success. Factors such as gender, race, ethnicity, part-time status or a recent leave of absence should not impact opportunities.

Fair and consistent pay practices are designed to ensure that employees are appropriately rewarded for their contribution. We pay for performance, and we take pay equity seriously. We’ve embedded clear commitments in our global compensation policies and practices, and we regularly conduct internal reviews and external audits as quality checks. If we find any gaps not explained by business or by appropriate employee factors such as role, responsibility, experience, performance or location, we look at the root causes and address them.

Since 2020, we have been certified under the EQUAL-SALARY Foundation standards for our human resources practices in Switzerland, the US, the UK, the Hong Kong SAR and Singapore, covering more than two-thirds of our global employee population. Our global human resources policies and standards, including reward, performance management and promotion, from hiring through retirement, are reviewed annually to further improve our approach and processes. Our processes are global and we apply the same standards across all our locations.

The firm also successfully completed an equal pay analysis in Switzerland in 2020, as required by the Swiss Federal Act on Gender Equality. The results of the analysis confirmed that we are fully compliant with Swiss equal pay standards. These holistic certifications are a testament to our well-established equal opportunity environment and the strength of our human resources practices, including performance and reward.

In 2022, we extended our internal fair pay analysis by assessing employees’ salaries against local living wages, using benchmarks defined by the Fair Wage Network. Excluding our US Financial Advisor population and their related support population (as their compensation is primarily based on a formulaic approach), our analysis showed that employees’ salaries were at or above the respective benchmarks, and the few outliers have all been addressed. UBS is committed to fair pay and supports all employees being paid at least a living wage.

Our aspirational goals and progress

| Our priorities | Our aspirational goals | Our progress in 2022 |
|--|---|--|
| Planet, people, partnerships | USD 400bn invested assets in sustainable investments by 2025. | Increased invested assets in sustainable investments to USD 268bn (compared with USD 251bn in 2021). |
| Planet  | Decarbonization targets for 2030 for financing of the real estate, fossil fuels, power generation and cement sectors (from 2020 levels): <ul style="list-style-type: none"> – reduce emissions intensity of UBS’s residential real estate lending portfolio by 42%; – reduce emissions intensity of UBS’s commercial real estate lending portfolio by 44%; – reduce absolute financed emissions associated with UBS loans to fossil fuel companies by 71%; – reduce emissions intensity associated with UBS loans to power generation companies by 49%; and – reduce emissions intensity associated with UBS loans to cement companies by 15%. | Calculated progress against pathways for the real estate (commercial and residential), fossil fuel and power generation sectors: ¹ <ul style="list-style-type: none"> – reduced emissions intensity of UBS’s residential real estate lending portfolio by 8% (end of 2021 vs 2020 baseline); – reduced emissions intensity of UBS’s commercial real estate lending portfolio by 7% (end of 2021 vs 2020 baseline); – reduced absolute financed emissions associated with UBS loans to fossil fuel companies by 42% (end of 2021 vs 2020 baseline); and – reduced emissions intensity associated with UBS loans to power generation companies by 12% (end of 2021 vs 2020 baseline). |
| | Align 20% of AuM to be managed in line with net zero (Asset Management). ² | Introduction of an additional decarbonization target for the cement sector, as well as an estimation of the overall financed emissions. |
| | Achieve net-zero emissions across discretionary client portfolios by 2050 (Asset Management). ³ | Initiated analysis of revisions to fund documentation and investment management agreements to align with Asset Management’s net-zero-aligned frameworks. |
| | Achieve net-zero energy emissions resulting from our own operations (scopes 1 and 2) by 2025; cut energy consumption by 15% by 2025 (compared with 2020). | Reduced net greenhouse gas (GHG) footprint for scope 1 and 2 emissions by 13% and energy consumption by 8% (compared with 2021); continued implementation of the replacement of fossil fuel heating systems and investing in credible carbon removal projects; achieved 99% renewable electricity coverage despite challenging market conditions. |
| | Offset historical emissions back to the year 2000 by sourcing carbon offsets (by year-end 2021) and by offsetting credit delivery and full retirement in registry (by year-end 2025). | Continued to follow up on credit delivery and retirement of sourced portfolio. |
| | Engage with key vendors on aiming for net zero by 2035. | Identified “GHG key vendors” (vendors that collectively account for >50% of our estimated vendor GHG emissions) and invited the vendors that accounted for 67% of our annual vendor spend (including all GHG key vendors) to disclose their environmental performance through CDP’s Supply Chain Program, with 66% of the invited vendors completing their disclosures in the CDP platform. |
| People  | 30% global female representation at Director level and above by 2025. | Increased to 27.8% (2021: 26.7%) female representation at Director level and above. |
| | 26% of US roles at Director level and above held by employees from ethnic minorities by 2025. | Increased to 20.4% (2021: 20.1%) ethnic minority representation at Director level and above in the US. |
| | 26% of UK roles at Director level and above held by employees from ethnic minorities by 2025. | Increased to 23.0% (2021: 21.3%) ethnic minority representation at Director level and above in the UK. |
| | Raise USD 1bn in donations to our client philanthropy foundations and funds and reach 25 million beneficiaries by 2025 (cumulative for 2021–2025). | Achieved a UBS Optimus Foundation network donation volume of USD 274m in 2022, totaling USD 436m since 2021 (both figures include UBS matching contributions). Reached 5.9 million beneficiaries. |
| | Support 1.5 million young people and adults to learn and develop skills through our community impact activities (2022–2025). | Reached 370,916 beneficiaries through strategic community impact activities. ⁴ |
| Partnerships  | Establish UBS as a leading facilitator of discussion, debate and idea generation. | Co-organized, with the Institute of International Finance, the first Wolfsberg Forum for Sustainable Finance. Joined a consortium that is pioneering methods of assessing and maximizing the GHG reduction potential of energy storage. Co-founded Carbonplace, a technology platform for the voluntary carbon market that has the goal of creating a streamlined and transparent market for our clients. |
| | Drive standards, research and development, and product development. | Co-led the Taskforce on Nature-related Financial Disclosures’ financial-sector-specific working group. Collaboration with two Swiss companies that are pioneering innovative carbon removal technologies. Joined the Partnership for Carbon Accounting Financials (PCAF). |

¹ Refer to the “Environment” section of our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for further information. The inherent one-year time lag between the as-of date of our lending exposure and the as-of date of emissions can be explained by two factors: corporates disclose their emissions in annual reporting only a few months after the end of a financial year; and specialized third-party data providers take up to nine months to collect disclosed data and make it available to data users. Consequently, the baselines for our net-zero ambitions are based on year-end 2020 lending exposure and 2019 emissions data. Our 2021 emissions actuals are based on year-end 2021 lending exposure and 2020 emissions data. ² The 20% alignment goal amounted to USD 235bn at the time of Asset Management’s commitment in 2021. By 2030, the weighted average carbon intensity of funds is to be 50% below the carbon intensity of the respective 2019 benchmark. ³ The near- and medium-term plans for the achievement of this goal include our Asset Management business division only. ⁴ Our Community Impact program has a strategic focus on education and the development of skills.

Cautionary note: We have developed methodologies that we use to set our climate-related targets and identify climate-related risks and which underly the metrics that are disclosed in this report. Standard setting organizations and regulators continue to provide new or revised guidance and standards, as well as new or enhanced regulatory requirements for climate disclosures. Our disclosed metrics are based upon data available to us, including estimates and approximations where actual or specific data is not available. We intend to update our disclosures to comply with new guidance and regulatory requirements as they become applicable to UBS. Such updates may result in revisions to our disclosed metrics, our methodologies and related disclosures, which may be substantial, as well as changes to the metrics we disclose.

› Refer to our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information

Build a diverse, equitable and inclusive workplace

Our diversity, equity and inclusion (DE&I) strategy and initiatives focus on a wide range of characteristics including gender, gender identity, sexual orientation, ethnic diversity, disabilities, age, and veteran status, along the entire employee life cycle. Our businesses aim to hire individuals with strong potential along with diverse skills, backgrounds and perspectives. We invest in the development of all employees and give them the visibility and opportunities to realize their potential, and implement Group-wide divisional and regional initiatives that support their career growth. These efforts collectively support the progress towards achieving our DE&I aspirational goals. For example, our partnerships with the Investments and Wealth Institute (the IWI) and Kaplan Financial Education in the US provide scholarships for diverse Wealth Management professionals at UBS to pursue industry certifications in investment management, private wealth advisory, retirement management and financial planning. Our leaders and employee networks are essential in our work to build a sense of belonging and to advance our goals.

We have an ongoing focus on the importance of inclusive leadership skills, ensuring equity in our policies and practices, and increasing the representation of women and ethnic minority employees. We take a multi-faceted approach that considers recruitment, development and belonging perspectives. For example, we support flexible working arrangements that benefit current employees and help us attract a more diverse pool of applicants. We also assess executive candidates for inclusive leadership competencies.

In 2020, we outlined our intention to increase our female and ethnic minority representation, especially among management, and we have made steady progress toward achieving those aspirations. Women now account for 41% of our workforce and 27.8% of our Director-level and above population. At the same time, 42% of our GEB members are female. Due to variations in legal requirements and historical progress, we continue to take a country-specific approach to increasing our representation of ethnic minorities, and we have published aspirations for the US and the UK, specifically. In 2022, we increased the ethnic minority representation at Director level and above to 20.4% (in the US) and 23.0% (in the UK).

Progress against these aspirations is considered in the determination of the annual performance award pool and included in the sustainability objectives under “Strategic & Growth” for the GEB, as outlined in the table above.

- › Refer to the “People and culture make the difference” section of our Sustainability Report 2022, available under “Annual reporting” at ubs.com/investors, for more information about DE&I

Performance award pool funding

Our compensation philosophy focuses on balancing performance with appropriate risk-taking, retaining talented employees and shareholder returns. Our overall performance award pool funding percentage decreases as financial performance increases. In years of strong financial performance, this prevents excessive compensation and results in an increased proportion of profit before performance awards being available for distribution to shareholders or growing the Group’s capital. In years where performance declines, the performance award pool will generally decrease; however, the funding percentage may increase.

Our performance award pool funding framework is based on Group and business division performance, including achievements against defined performance measures. In assessing performance, we also consider industry peers, market competitiveness of our results and pay position, as well as progress against our strategic objectives, including returns, risk-weighted assets and cost efficiency. The Risk and Compliance functions support our holistic reflection and consideration of the financial and non-financial impact (including reputation) of risk matters. We further consider the firm’s risk profile and culture, the extent to which operational risks and audit issues have been identified and resolved, and the success of risk reduction initiatives including significant events.

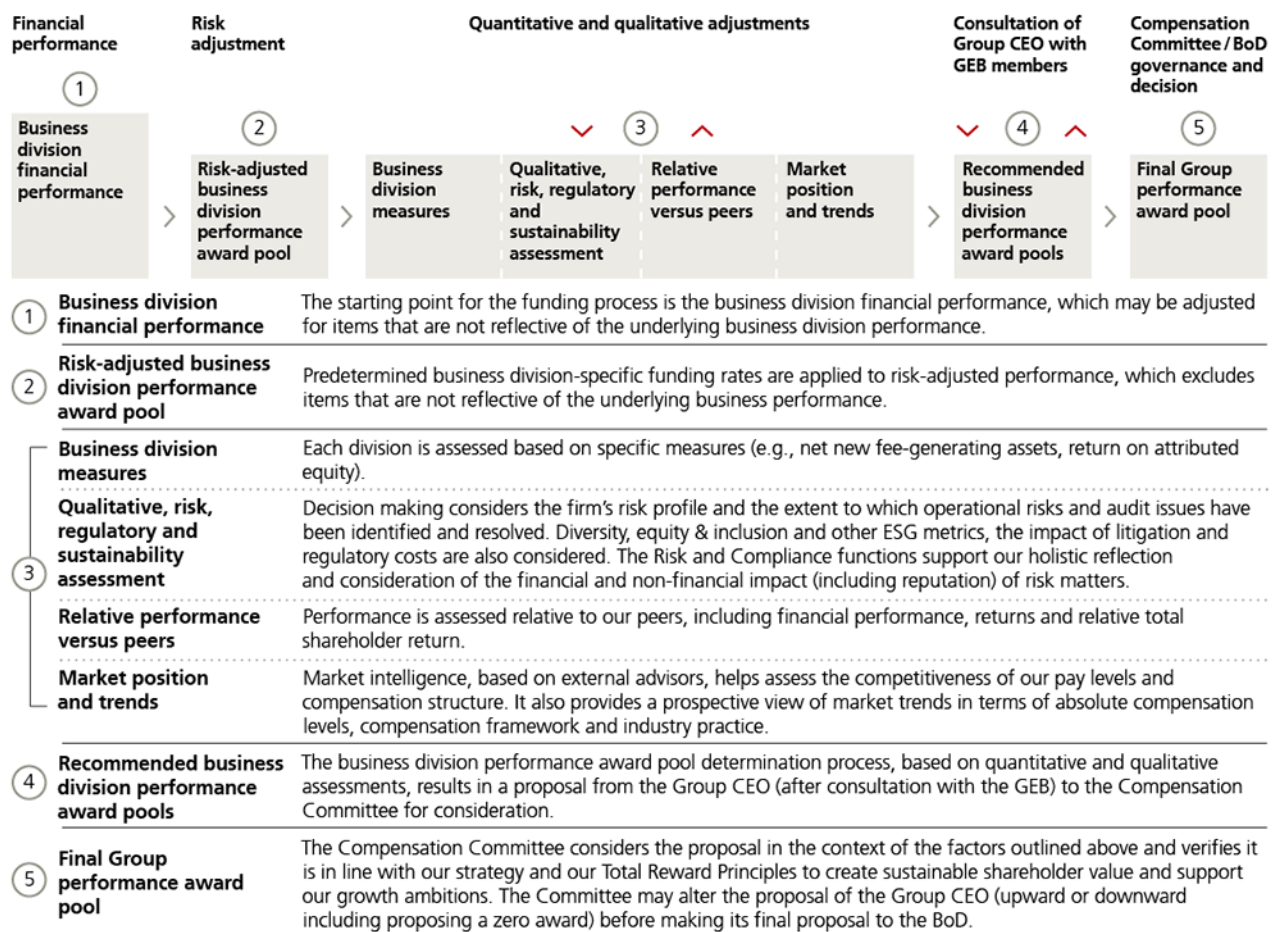
The funding for Group Functions is linked to overall Group performance and reflects headcount, workforce location and demographics. For each functional area, quantitative and qualitative assessments evaluate service quality, risk management and financial achievements.

Our decisions regarding the performance award pool also balance consideration of financial performance with a range of factors, including DE&I and other ESG metrics, the impact of litigation, regulatory costs, the effect of changes in financial accounting standards, capital returns and relative total shareholder return.

Before making its final proposal to the BoD, the Compensation Committee considers the CEO’s proposals and can apply a positive or negative adjustment to the performance award pool.

- › Refer to “2022 Group performance outcomes” in the “Group compensation” section of this report
- › Refer to the “Group performance” section of our Annual Report 2022 for more information about our results

Performance award pool funding process – illustrative overview



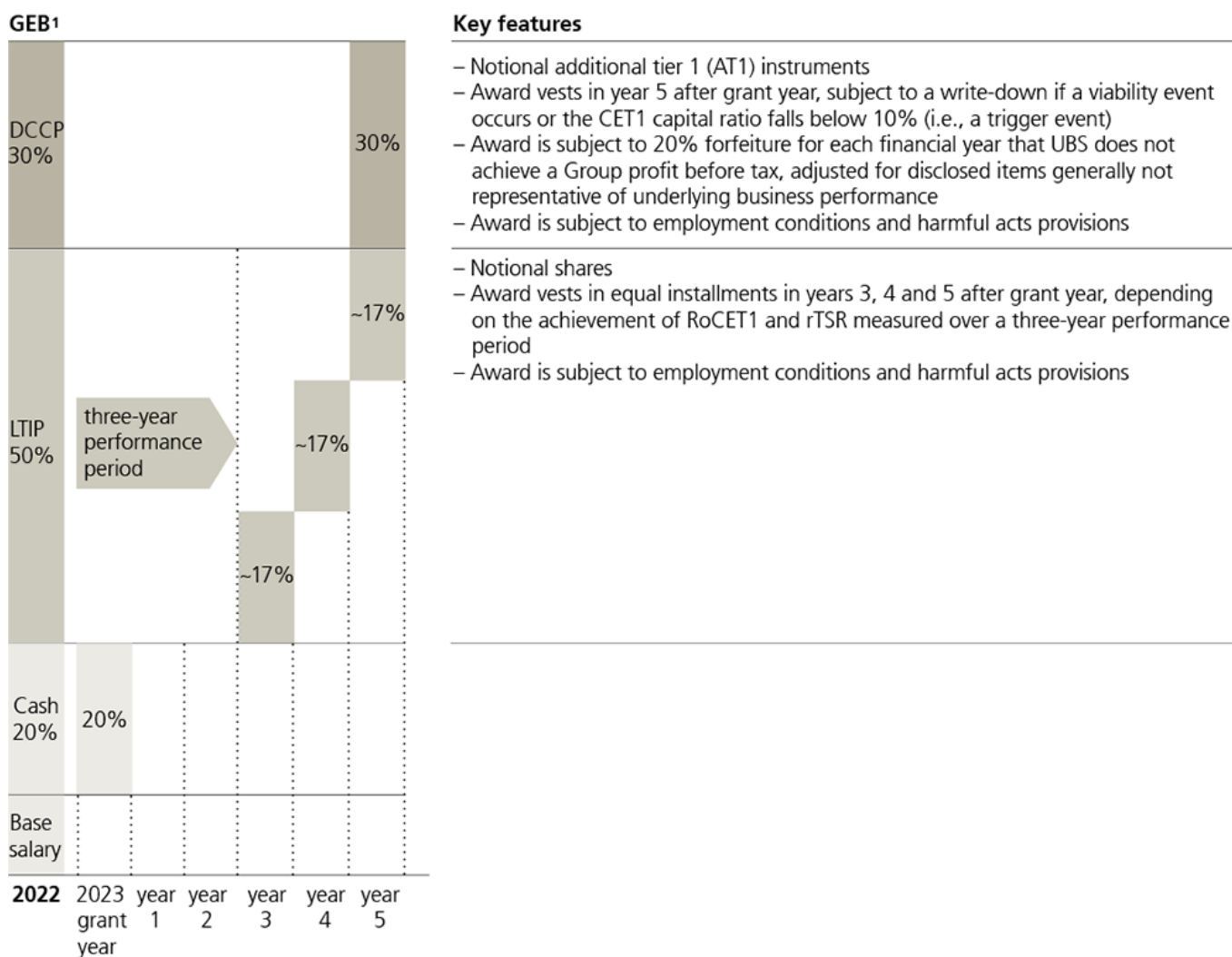
Compensation for GEB members

GEB compensation framework

In 2022, we made no changes to our GEB compensation framework. The chart below illustrates the compensation elements, pay mix and key features for GEB members. Of the annual performance award, 20% is paid in the form of cash and 80% is deferred over a period of five years,¹ with 50% of the annual performance awards granted under the Long-Term Incentive Plan (the LTIP) and 30% under the Deferred Contingent Capital Plan (the DCCP).

› Refer to “Our deferred compensation plans” in the “Group compensation” section of this report for more information

2022 compensation framework for GEB members (illustrative example)



Key features

- Notional additional tier 1 (AT1) instruments
 - Award vests in year 5 after grant year, subject to a write-down if a viability event occurs or the CET1 capital ratio falls below 10% (i.e., a trigger event)
 - Award is subject to 20% forfeiture for each financial year that UBS does not achieve a Group profit before tax, adjusted for disclosed items generally not representative of underlying business performance
 - Award is subject to employment conditions and harmful acts provisions
-
- Notional shares
 - Award vests in equal installments in years 3, 4 and 5 after grant year, depending on the achievement of RoCET1 and rTSR measured over a three-year performance period
 - Award is subject to employment conditions and harmful acts provisions

¹ Performance awards to GEB members who are SMF / MRT are subject to additional deferral and vesting requirements.

› Refer to the “Group Compensation” section of this report for more information

› Refer to “Regulated staff” in the “Supplemental information” section of this report for more information

Pay-for-performance safeguards for GEB members

| | |
|-------------------------------|---|
| Performance award caps | <ul style="list-style-type: none">– Cap on the total GEB performance award pool (2.5% of profit before tax)¹– Caps on individual performance awards (for the Group CEO capped at five times the fixed compensation and at seven times for the other GEB members)– Cap of 20% of performance award in cash |
| Delivery and deferral | <ul style="list-style-type: none">– 80% of performance awards are at risk of forfeiture– Long-term deferral over five years (or longer for certain regulated GEB members)– Alignment with shareholders (through the LTIP) and bondholders (through the DCCP)– Final payout of equity-based LTIP award (50% of performance award) subject to absolute and relative performance conditions (three-year performance period) |
| Contract terms | <ul style="list-style-type: none">– No severance terms– Notice period between six and twelve months |
| Other safeguards | <ul style="list-style-type: none">– Share ownership requirements– No hedging allowed |

¹ The Compensation Committee may consider adjustments to profit for items that are not reflective of underlying performance.

GEB share ownership requirements

To align the interests of GEB members with those of our shareholders and to demonstrate personal commitment to the firm, we require the Group CEO and the other GEB members to hold a substantial number of UBS shares. GEB members must reach their minimum shareholding requirements within five years from their appointment and retain it throughout their tenure. The total number of UBS shares held by a GEB member consists of any vested or unvested shares and any privately held shares. At the end of 2022, all GEB members met their share ownership requirements, except for those appointed within the last three years, who still have time to build up and meet the required share ownership.

As of 31 December 2022, our GEB members held shares with an aggregate value of approximately USD 154m, demonstrating their commitment to our strategy and alignment with shareholders.

Share ownership requirements

| | | |
|-------------------|-----------------------|--|
| Group CEO | min. 1,000,000 shares | Must be built up within five years from their appointment and retained throughout their tenure |
| Other GEB members | min. 500,000 shares | |

GEB base salary and role-based allowance

Each GEB member receives a fixed base salary, which is reviewed annually by the Compensation Committee. The 2022 annual base salary for the Group CEO role was CHF 2.5m and has remained unchanged since 2011. The other GEB members each received a base salary of CHF 1.5m (or local currency equivalent), also unchanged since 2011.

Over the course of 2022, one GEB member held a UK Senior Management Function (SMF) role for one of our UK entities. In addition to base salary, a role-based allowance was part of the fixed compensation.

At the AGM, shareholders are asked to approve the maximum aggregate amount of fixed compensation for GEB members for the following financial year.

- › Refer to the “Supplemental information” section of this report for more information about Material Risk Takers (MRTs) and SMFs
- › Refer to the “Say-on-pay” section of this report for more information about the AGM vote on fixed compensation for the GEB

Caps on the GEB performance award pool

The size of the GEB performance award pool may not exceed 2.5% of the Group’s profit before tax. This limits the overall GEB compensation based on the firm’s profitability.

For 2022, the Group’s profit before tax was USD 9.6bn and the total GEB performance award pool was CHF 81.1m. The GEB performance award pool was 0.9% of Group profit before tax, well below the 2.5% cap.

In line with the individual compensation caps on the proportion of fixed pay to variable pay for all GEB members (introduced in 2013), the Group CEO’s granted performance award is capped at five times his fixed compensation. Granted performance awards of other GEB members are capped at seven times their fixed compensation (or two times for GEB members who are also MRTs). For 2022, performance awards granted to GEB members and the Group CEO were, on average, 3.5 times their fixed compensation (in Swiss franc terms, excluding one-time replacement awards, benefits and contributions to retirement plans).

- › Refer to “Performance award pool funding” in the “Compensation philosophy and governance” section of this report for more information

GEB employment contracts

GEB members' employment contracts do not include severance terms or supplementary pension plan contributions and are subject to a notice period of between six and twelve months. A GEB member leaving UBS before the end of a performance year may be considered for a performance award. Such awards are subject to approval by the BoD, and ultimately by the shareholders at the AGM.

Benchmarking for GEB members

When recommending performance awards for the Group CEO and the other GEB members, the Compensation Committee reviews the respective total compensation for each role against a financial industry peer group. The peer group is selected based on comparability of their size, business mix, geographic presence and the extent to which they compete with us for talent. The Compensation Committee considers our peers' strategies, practices and pay levels, as well as their regulatory environment; it also periodically reviews other firms' pay levels or practices, including both financial and non-financial sector peers, as applicable. The total compensation for a GEB member's specific role considers the compensation paid by our peers for a comparable role and performance within the context of our organizational profile. The Compensation Committee periodically reviews and approves the peer group composition.

The table below presents the composition of our peer group as approved by the Compensation Committee for the 2022 performance year.

| | |
|-----------------|--------------------|
| Bank of America | Goldman Sachs |
| Barclays | HSBC |
| BlackRock | JPMorgan Chase |
| BNP Paribas | Julius Baer |
| Citigroup | Morgan Stanley |
| Credit Suisse | Standard Chartered |
| Deutsche Bank | State Street |

GEB performance assessments

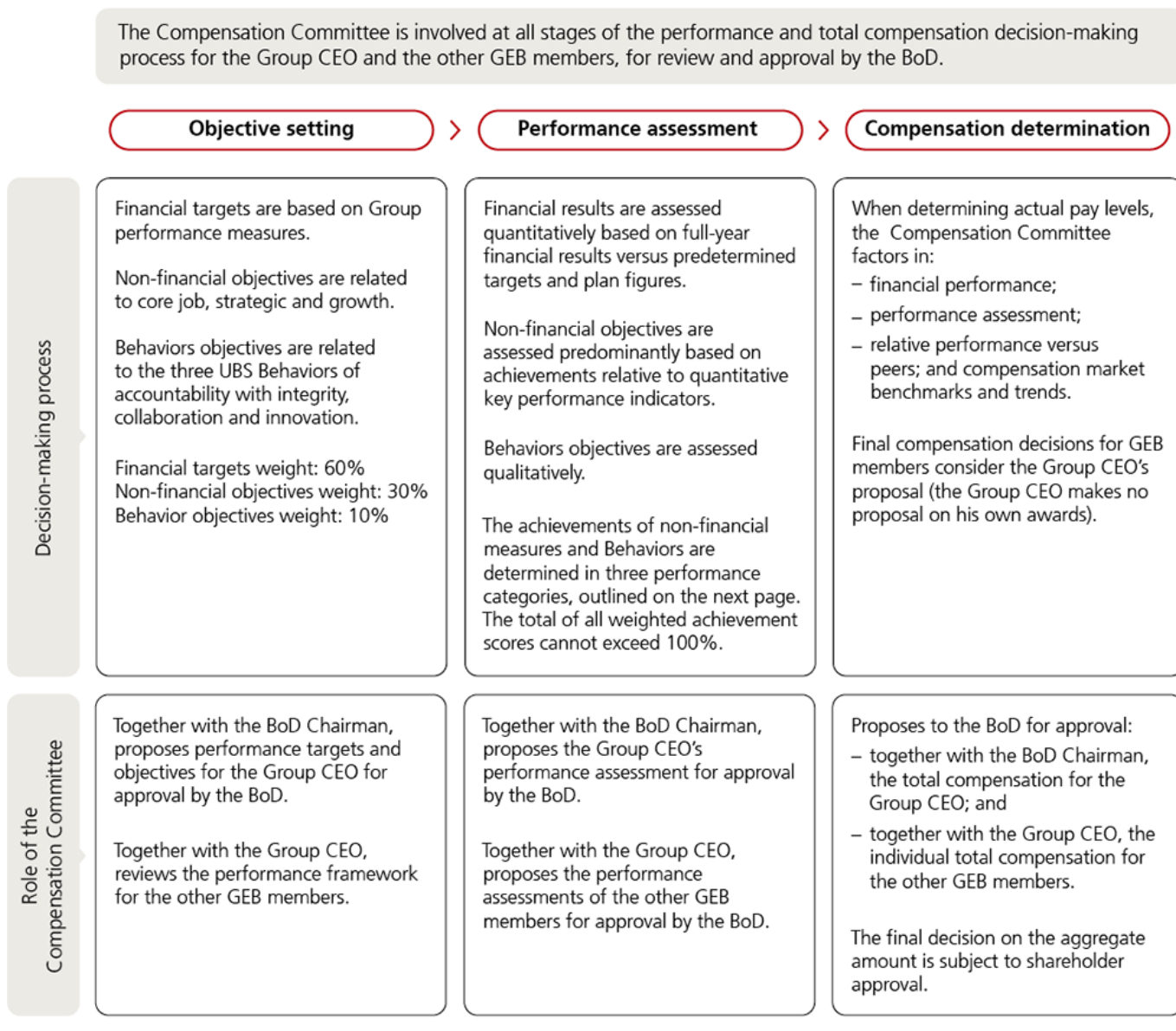
We assess each GEB member’s performance against a set of Group financial targets, non-financial objectives and Behaviors. Under the non-financial objectives, we maintained the categories introduced in 2021: Core Job (which covers job-specific, risk and people objectives) and Strategic & Growth (which covers strategy, digital, and environmental, social and governance (ESG) objectives). This approach fosters an even greater focus on GEB priorities and the success of the Group overall among all GEB members, and strengthens the understanding and importance of interdependence within and across the GEB. At the same time, it creates stronger individual accountability, and further increases the focus on core activities.

The Compensation Committee exercises its judgment with respect to the performance achieved relative to the prior year, our strategic plan and our competitors, and considers the Group CEO’s proposals. The Compensation Committee’s proposals are subject to approval by the BoD.

The Compensation Committee, and then the full BoD, follows a similar process for the Group CEO, except that the proposal comes from the Chairman of the BoD.

Overview of the GEB compensation determination process

The compensation for the Group CEO and the other GEB members is governed by a rigorous process under Compensation Committee and BoD oversight. The chart below shows how compensation for all GEB members is determined.



Overview of performance assessment measures

We apply a range of quantitative measures to assess GEB member performance against financial and non-financial objectives while Behaviors are assessed qualitatively. The table below provides a summary of the main metrics and measures used for 2022.

| | | | |
|-------------------------------------|-------------------------------|--|--|
| Financial measures (60%) | | | <ul style="list-style-type: none"> – Reported Group profit before tax – Reported Group cost / income ratio – Reported Return on CET1 capital |
| Non-financial measures (30%) | Strategic & Growth | Strategy | <ul style="list-style-type: none"> – Progress on Group-wide transformation initiatives – Delivery on division- / function-specific strategic programs and initiatives |
| | | Digital | <ul style="list-style-type: none"> – Progress on digital transformation initiatives – Delivery of digital offering and user experience for clients |
| | | ESG | – Refer to the “Our aspirational goals and progress” table in the “Environmental, Social and Governance considerations” section of this report |
| | Core Job | Job-specific | <ul style="list-style-type: none"> – Business-specific criteria, such as net new investable asset targets and client engagement-level objectives – Operating income growth targets for specific client segments and total cost goals – Post-stress CET1 objectives and capital ratio guidance – Execution progress regarding key client and internal initiatives; e.g., cross-divisional collaboration initiatives, efficiency and cost-saving initiatives |
| | | Risk | <ul style="list-style-type: none"> – Operating within risk appetite constraints – Progress to delivering on risk reduction initiatives |
| | | People | <ul style="list-style-type: none"> – Employee listening / sentiment results and feedback – Progress toward meeting 2025 ambitions for female representation and for ethnic minority representation in the US and the UK at Director and above levels (as per ESG disclosure) – People development, mobility, turnover and succession plan metrics |
| Behaviors (10%) | Accountability with integrity | Qualitative assessment against expected Behaviors: | <ul style="list-style-type: none"> – Responsible for what they say and do – Takes ownership and makes things happen – Steps up and acts when something is not right |
| | Collaboration | | <ul style="list-style-type: none"> – Trusts others and helps them to be successful – Delivers One UBS, together with their colleagues – Fosters a diverse, inclusive and equitable work environment |
| | Innovation | | <ul style="list-style-type: none"> – Challenges perspectives and looks at every opportunity to improve – Actively seeks and provides feedback – Learns from every success and failure |

Performance assessment categories

The table below presents the three performance categories for the assessment of the performance against non-financial objectives related to Core Job, Strategic & Growth and Behaviors. The achievement score represents the maximum percentage, and the Compensation Committee may apply downward adjustments.

| Non-financial measures | | |
|------------------------------|------------------------------|-------------------------------|
| Needs focus | Good contribution | Excellent contribution |
| Achievement score: up to 33% | Achievement score: up to 66% | Achievement score: up to 100% |

| Behaviors | | |
|------------------------------|------------------------------|-------------------------------|
| Needs focus | Expected behavior | Exemplary behavior |
| Achievement score: up to 33% | Achievement score: up to 66% | Achievement score: up to 100% |

2022 performance for the Group CEO

The performance award for the Group CEO is based on the achievement of financial performance targets and non-financial objectives related to Core Job, Strategic & Growth and Behaviors, as described earlier in this section.

These objectives were set to reflect the strategic priorities determined by the Chairman and the BoD.

› Refer to “GEB compensation framework” in this section of this report for more information

Performance assessment for the Group CEO

The BoD recognized that Ralph Hamers successfully led UBS through a challenging year and delivered good financial results despite significant headwinds due to geopolitical and macroeconomic developments. In this environment, he focused the firm on maintaining client momentum and the disciplined execution of our strategy across regions to deliver the benefits of our geographic diversification. Furthermore, the resulting growth enabled us to achieve a performance in line with our 2022 targets. In addition, our strong capital position enabled us to return USD 7.3bn of capital to shareholders for the 2022 financial year.

Furthermore, Mr. Hamers effectively led the Group through the challenging and volatile risk environment and continued to promote an effective risk culture throughout the organization. He also kept the firm focused on risk reduction and operating within our risk appetite.

Additionally, the BoD acknowledged that Mr. Hamers continued to be a strong ambassador for the drive to make our organization more digital. He continued to increase the Group’s focus on technology as a differentiator for our clients and employees, achieving important progress on our technology initiatives and agile transformation that benefit clients and employees.

Mr. Hamers successfully continued to focus the Group on delivering on its diversity, equity and inclusion (DE&I) strategy and initiatives. Important progress was made in our diversity and ethnicity ambitions and it remains a key area of focus. He also successfully managed Group Executive Board (GEB) transitions that rejuvenated the GEB and increased the female ratio on the GEB to 42%.

Mr. Hamers continued to demonstrate strong leadership and focus on delivering the Group’s sustainability strategy, including the commitment to net zero. He continued to focus the organization to deliver on the ambitions in the key ESG focus areas including a reduction of 11% in scope 1 and 2 emissions year on year, partnering with two pioneering companies on CO₂ removal, supporting clients with USD 268bn invested assets in sustainability-focused and impact investments. As a result, UBS retained its position amongst the leaders in the field, as evidenced by the ratings from the most important independent sustainability rating agencies.

The table below illustrates the assessment criteria used to evaluate the achievements of Mr. Hamers in 2022.

Financial performance

| Weight | Performance measures | 2022 targets | 2022 results | Achievement ² | Weighted assessment | 2022 commentary |
|--------|---------------------------------|------------------------|--------------|--------------------------|---------------------|--|
| 20% | Reported Group PBT | USD 9.8bn | USD 9.6bn | 97.6% | 19.5% | – Profit before tax (PBT) increased to USD 9.6 bn, slightly below target but up from 2021 and the highest annual result since 2006, reflecting good profitability in a challenging market. |
| 20% | Reported Group C/I ratio | 70 to 73% ¹ | 72.1% | 100% ³ | 20.0% | – The cost / income (C/I) ratio was 72.1%, in line with the 2022 performance target range and an improvement of 1.5 percentage points compared with 2021. This demonstrates good cost discipline in an inflationary environment. |
| 20% | Reported RoCET1 | 15 to 18% ¹ | 17.0% | 100% | 20.0% | – Delivered strong capital returns with a return on CET1 capital (RoCET1) of 17.0%, in line with the 2022 performance target range. |

¹ The return on CET1 capital and cost / income ratio performance targets reflect externally communicated target ranges. The determination of the achievement is based on specific target levels defined within the indicated target ranges. ² Achievement score capped at 100%. ³ For the assessment of the cost / income ratio, each 1% difference between actual and target affects the score by 10%.

Performance assessment for the Group CEO (continued)

Non-financial performance and Behaviors

| Weight | Performance measures | Achievement | Weighted assessment | 2022 commentary |
|---|---|-------------------------|---------------------|--|
| 30% | <p>Core Job (Job specific, Risk, People)</p> <p>Strategic & Growth (Strategy, Digital, ESG)</p> | Good contribution (66%) | 20% | <p>– The evaluation of each non-financial objective considers quantitative metrics that are assessed against internal targets / plan.</p> <p>Core Job</p> <ul style="list-style-type: none"> – Good client momentum in a challenging market environment and maintained strong focus on managing our costs – Active capital management to protect our business, enable growth and deliver attractive returns including executing USD 5.6bn in share buybacks – Operated within risk appetite constraints – Improved employee listening / sentiment results across key categories – Successfully managed effective leadership transitions in GEB – Continued focus on people diversity, with the ratio of female leaders increased to 28%, on track to meet the 2025 target; stayed on track toward the 2025 ambition for ratios of UK (23%) and US (20%) employees from ethnic minorities <p>Strategic & Growth</p> <ul style="list-style-type: none"> – Embedded our purpose into the organization and executed on the strategic imperatives, including executing across regions and delivering benefits of geographic diversification. – Focused the Group to deliver simplification initiatives, making it easier for our businesses to deliver for our clients. – Progressed our technology initiatives and agile transformation with new launches of key products such as Key4 in Switzerland, Circle One, and WE.UBS in China and approximately 18,500 employees operating in an agile work environment – See ESG metrics and progress in separate table in this report |
| 10% | Behaviors (Accountability with integrity, Collaboration, Innovation) | Expected behavior (66%) | 7% | <p>The assessment of the Behavior objectives is qualitative and has resulted in the following summary assessment:</p> <ul style="list-style-type: none"> – Mr. Hamers continued to be a role model in accountability and empowerment in the organization. He remained the most important ambassador of collaboration to deliver the whole firm to our clients. – Mr. Hamers exemplifies innovation in UBS. He continued the successful digitalization through new ways of working and continuously promoted innovative thinking and simplification. |
| Total weighted assessment (maximum 100%) | | | 86.5% | |

In addition to the overall 2022 Group performance and Mr. Hamers's achievements outlined above, the BoD also considered other factors, such as the Group's good profitability, UBS's performance in context of the underlying results and the strong relative share price performance. For context, as outlined in our compensation report last year, Mr. Hamers's 2021 performance award was additionally impacted by the significant risk event related to a loss from a US-based client of our prime brokerage business. The 2022 proposal considers a year-on-year change that reflects pay-for-performance and does not carry forward the 2021 impact over multiple years.

The BoD approved the proposal by the Compensation Committee to grant Mr. Hamers a performance award of CHF 9.7m, resulting in a total compensation for 2022 of CHF 12.2m (excluding benefits and contributions to his retirement benefit plan).

Aligned with the GEB compensation framework, the Group CEO's performance award will be delivered 20% (CHF 1.94m) in cash and the remaining 80% (CHF 7.76m) subject to deferral and forfeiture provisions, as well as meeting performance conditions over the next five years.

2022 total compensation for the GEB members

The 2022 GEB performance award pool is CHF 81.1m, which is an increase of 2% in Swiss franc terms and a decrease of 3% in US dollar terms. Adjusted for the direct impact of the 2021 loss event on specific GEB members, the 2022 GEB pool is down approximately 5% in Swiss franc terms or a decrease of 10% in US dollar terms, which is aligned with the Group pool development. This pool also considers the impact of changes in GEB composition and foreign exchange rates. This outcome reflects the solid performance of the GEB as demonstrated by the strength of our share price and the good performance of the Group in a challenging market environment, achieving our returns and efficiency targets on a reported basis, while also considering our underlying reported results.

At the 2023 AGM, shareholders will vote on the aggregate 2022 total variable compensation for the GEB in Swiss francs. The tables below provide the awarded compensation for the Group CEO and the GEB members in Swiss francs and, for reference, the total amounts in US dollars for comparability with financial performance. The individual variable performance awards for each GEB member will only be confirmed upon shareholder approval at the AGM.

- › Refer to “Deferred compensation” in the “Supplemental information” section of this report for more information about the vesting of outstanding awards for GEB members
- › Refer to “Provisions of the Articles of Association related to compensation” in the “Supplemental Information” section of this report for more information

Audited I

Total compensation for GEB members

CHF, except where indicated

| For the year | Contribution to retirement benefit plans | | | Total fixed compensation | Performance award | | | Total variable compensation | Total fixed and variable compensation ⁶ | USD (for reference) ¹ | | |
|--|--|---------------|-----------------------|--------------------------|-------------------|-------------------------|-------------------------|-----------------------------|--|----------------------------------|-----------------------------|--|
| | Base salary | benefit plans | Benefits ² | | Cash ³ | under LTIP ⁴ | under DCCP ⁵ | | | Total fixed compensation | Total variable compensation | Total fixed and variable compensation ⁶ |
| Group CEO Ralph Hamers (Highest Paid Executive excluding replacement awards)¹¹ | | | | | | | | | | | | |
| 2022 | 2,500,000 | 242,239 | 198,378 | 2,940,617 | 1,940,000 | 4,850,000 | 2,910,000 | 9,700,000 | 12,640,617 | 3,050,684 | 10,063,071 | 13,113,755 |
| 2021 | 2,500,000 | 246,415 | 251,856 | 2,998,271 | 1,700,000 | 4,250,000 | 2,550,000 | 8,500,000 | 11,498,271 | | | |

Aggregate of all GEB members (excluding replacement awards)^{7,8,9,10,11,12}

| | | | | | | | | | | | | |
|------|------------|-----------|-----------|------------|------------|------------|------------|------------|-------------|------------|------------|-------------|
| 2022 | 23,318,410 | 1,796,872 | 693,473 | 25,808,756 | 16,220,000 | 40,550,000 | 24,330,000 | 81,100,000 | 106,908,756 | 26,774,777 | 84,135,571 | 110,910,348 |
| 2021 | 24,853,521 | 2,064,009 | 1,179,512 | 28,097,041 | 15,950,000 | 39,875,000 | 23,925,000 | 79,750,000 | 107,847,041 | | | |

¹ Swiss franc amounts have been translated into US dollars for reference at the 2022 performance award currency exchange rate of CHF / USD 1.037430. ² All benefits are valued at market price. ³ For GEB members who are also MRTs or SMFs, the cash portion includes blocked shares. ⁴ LTIP awards for performance year 2022 were awarded at a value of 71.45% of maximum which reflects our best estimate of the fair value of the award. The maximum number of shares is determined by dividing the awarded amount by the estimated fair value of the award at grant, divided by CHF 20.092 or USD 21.790, the average closing price of UBS shares over the last ten trading days leading up to and including the award date in February. ⁵ The amounts reflect the amount of the notional additional tier 1 (AT1) capital instrument excluding future notional interest. ⁶ Excludes the portion related to the legally required employer's social security contributions for 2022 and 2021, which are estimated at grant at CHF 4,675,424 and CHF 4,997,243, respectively, of which CHF 841,402 and CHF 763,059, respectively, are for the highest-paid GEB member (excluding replacement awards). The legally required employees' social security contributions are included in the amounts shown in the table above, as appropriate. ⁷ As stated in “Group Executive Board” in the “Corporate governance” section of our Annual Report 2022, twelve GEB members were in office on 31 December 2022 and 31 December 2021. ⁸ Includes compensation paid under employment contracts during notice periods for GEB members who stepped down during the respective years. ⁹ Includes compensation for newly appointed GEB members for their time in office as GEB members during the respective years. ¹⁰ Base salary may include role-based allowances in line with market practice in response to regulatory requirements. ¹¹ The 2022 total compensation of Sarah Youngwood, Group CFO, including both the one-time replacement awards of her compensation forfeited upon joining UBS as well as her compensation for the 2022 performance year, amounts to a total of CHF 13,475,863 (which makes her the highest paid executive including replacement awards). ¹² For 2022, the one-time replacement awards of CHF 7,206,683 for Sarah Youngwood and CHF 65,229 for Naureen Hassan are not included in the above table; including these, the 2022 total aggregate compensation of all GEB members is CHF 114,180,668. For 2021, the one-time replacement award of CHF 7,081,474 for Barbara Levi is not included in the above table; including this, the 2021 total aggregate compensation of all GEB members is CHF 114,928,515.

Total realized compensation for the Group CEO

The realized compensation for the Group CEO reflects the total amount paid out in the year. It includes the base salary, cash performance award payments, and all deferred performance awards vested in the year. As such, realized pay is the natural culmination of awards granted and approved by shareholders in previous years.

To illustrate the effect of our long-term deferral approach, which has been in place since 2012, we disclose the annual realized compensation of Mr. Hamers, including a comparison with his total awarded compensation.

Total realized compensation vs awarded compensation for Ralph A.J.G Hamers

| For the year | CHF | | Performance award under | | Realized Total realized fixed and variable compensation | Awarded Total awarded fixed and variable compensation ^{3,4} |
|-------------------|-------------|-------------------------|---------------------------|-------------------|---|--|
| | Base salary | Cash award ² | equity plans ² | DCCP ² | | |
| 2022 | 2,500,000 | 1,700,000 | 0 | 0 | 4,200,000 | 12,200,000 |
| 2021 | 2,500,000 | 600,000 | 0 | 0 | 3,100,000 | 11,000,000 |
| 2020 ¹ | 833,333 | 0 | 0 | 0 | 833,333 | 3,833,333 |

¹ Includes compensation for 4 months as Ralph A.J.G. Hamers joined UBS on 1 September 2020. ² Excludes dividend / interest payments. ³ Excludes contributions to retirement benefit plans and benefits. Includes social security contributions paid by Ralph A.J.G. Hamers but excludes the portion related to the legally required social security contributions paid by UBS. ⁴ Excludes the one-time replacement award granted in 2020.

Group compensation

Compensation elements for all employees

All elements of pay are considered when making our compensation decisions. We regularly review our principles and compensation framework in order to remain competitive and aligned with stakeholders. In 2022, we made no material changes to our overall framework. We will continue to review our approach to salaries and performance awards, considering market developments, our performance and our commitment to deliver sustainable returns to shareholders.

Base salary and role-based allowance

Employees' fixed compensation (e.g., base salary) reflects their level of skill, role and experience, as well as local market practice. Base salaries are usually paid monthly or fortnightly, in line with local market practice. We offer competitive base salaries that reflect location, function and role. Salary increases generally consider promotions, skill set, performance and overall responsibility.

In addition to base salary, and as part of fixed compensation, some employees may receive a role-based allowance. This allowance is a shift in the compensation mix between fixed and variable compensation, not an increase in total compensation. It reflects the market value of a specific role and is fixed, non-forfeitable compensation. Unlike salary, a role-based allowance is paid only if the employee is in a specific role. Similar to previous years, 2022 role-based allowances consisted of a cash portion and, where applicable, a blocked UBS share award.

Pensions and benefits

We provide a range of benefit plans, such as retirement benefits and health insurance, aiming to provide financial protection in case of significant life events, and support our employees' well-being and diverse needs. Retirement and other benefits are set in the context of local market practice and regularly reviewed for competitiveness.

Pension plan rules in any one location are generally the same for all employees, including GEB members and other management. There are no enhanced or supplementary pension contributions for the GEB.

Performance award

Most of our employees are eligible for an annual performance award. The level of this award, where applicable, generally depends on the firm's overall performance, the employee's business division, team and individual performance, and behavior, reflecting their overall contribution to the firm's results. These awards are in line with applicable local employment conditions and at the discretion of the firm.

In addition to the firm's Pillars and Principles, Behaviors related to Accountability with integrity, Collaboration and Innovation are part of the performance management approach. Therefore, when assessing performance, we consider not only what was achieved but also how it was achieved.

Our deferred compensation plans

Underlining our emphasis on sustainable performance and risk management, and our focus on achieving our growth ambitions, we deliver part of our employees' annual variable compensation through deferred compensation plans. We believe that our approach, with a single incentive decision and a mandatory deferral, is transparent and well suited to implementing our compensation philosophy and delivering sustainable performance. This aligns the interests of our employees and shareholders and appropriately links compensation to longer-term sustainable performance.

Our mandatory deferral approach applies to all employees with regulatory-driven deferral requirements or total compensation greater than USD / CHF 300,000. Certain regulated employees, such as Senior Management Functions (SMFs) and Material Risk Takers (MRTs), are subject to additional requirements (e.g., more stringent deferral requirements and additional blocking periods). In addition, SMFs and MRTs receive 50% of their cash portion in the form of immediately vested shares, which are blocked for 12 months after grant.

The deferred amount increases at higher marginal rates in line with the value of the performance award. The effective deferral rate therefore depends on the amount of the performance award and the amount of total compensation.

We believe our deferral regime has one of the longest vesting periods in the industry. The weighted average deferral period for non-regulated employees is 4.4 years for GEB members and is 3.5 years for employees outside of the GEB. Additionally, from time to time, we may utilize alternative deferred compensation arrangements to remain competitive in specific business areas.

To further promote sustainable performance, all of our deferred compensation plans include employment conditions and malus conditions. These enable the firm to reduce or fully forfeit unvested deferred awards under certain circumstances, pursuant to performance and harmful acts provisions. In addition, forfeiture is triggered in cases where employment has been terminated for cause.

Our share delivery obligations related to notional share awards are satisfied by delivering treasury shares, which are purchased in the market, to employees at vesting.

- › Refer to “**Note 27 Employee benefits: variable compensation**” in the “**Consolidated financial statements**” section of our **Annual Report 2022 for more information**
- › Refer to the “**Supplemental information**” section of this report for more information about **MRTs and SMFs**

Variable compensation elements by employee category

| Employee category | Deferred compensation elements | | | |
|---|--------------------------------|------|----------------|------|
| | Cash | LTIP | EOP | DCCP |
| GEB members | ✓ | ✓ | | ✓ |
| Employees subject to mandatory deferral framework | ✓ | | ✓ ¹ | ✓ |

¹ Employees in investment areas within Asset Management typically receive notional funds (Fund Ownership Plan, previously named AM EOP) in lieu of EOP to align their compensation more closely with fund performance, industry standards and regulatory requirements.

Long-Term Incentive Plan

The Long-Term Incentive Plan (the LTIP) granted for 2022 performance is a mandatory deferral plan for GEB members. For the 2022 performance year, we awarded LTIP to 14 GEB members in office during 2022, at a fair value of 71.45% of the maximum. The value was calculated by an independent third party using a well-established valuation methodology.

The performance metrics of the share-based LTIP awards are average return on CET1 capital (RoCET1) and relative total shareholder return (rTSR) over a three-year performance period starting on 1 January in the year of grant. Performance outcomes and actual payout levels will be disclosed at the end of the performance period.

The three-year average RoCET1 performance metric reflects our strategic return ambitions and considers our financial targets, as well as our cost of capital as outlined below:

- the required RoCET1 performance for a maximum payout is set at 18%, which represents the upper end of our target range, without encouraging excessive risk-taking;
- the required performance threshold for the minimum payout is 8%, the mid-point of the payout thresholds appropriately reflects our cost of equity; and
- the linear payout design between threshold and maximum level supports our growth ambitions and our focus on delivering sustainable performance without encouraging excessive risk-taking.

The rTSR performance metric over the three-year period further aligns the interests of employees with those of shareholders:

- the metric compares the total shareholder return (the TSR) of UBS with the TSR of an index consisting of listed Global Systemically Important Banks (G-SIBs) as determined by the Financial Stability Board (excluding UBS Group);
- the G-SIBs are independently defined and reflect companies with a comparable risk profile and impact on the global economy;
- the index, which includes publicly traded G-SIBs, is equally weighted, calculated in Swiss francs and maintained by an independent index provider, so as to ensure independence of the TSR calculation; and
- the payout interval of ±25 percentage points versus the index performance demonstrates our ambition of delivering attractive relative returns to shareholders. The linear payout and the threshold level set below index performance further support sustainability of results and appropriate risk-taking.

Global Systemically Important Banks (G-SIBs) that are listed companies¹

| | | |
|----------------------------|------------------------|--------------------|
| Agricultural Bank of China | Goldman Sachs | Santander |
| Bank of America | Groupe Crédit Agricole | Société Générale |
| Bank of China | HSBC | Standard Chartered |
| Bank of New York Mellon | ING | State Street |
| Barclays | ICBC | Sumitomo Mitsui FG |
| BNP Paribas | JPMorgan Chase | Toronto-Dominion |
| China Construction Bank | Mitsubishi UFJ FG | UniCredit |
| Citigroup | Mizuho FG | Wells Fargo |
| Credit Suisse | Morgan Stanley | |
| Deutsche Bank | Royal Bank of Canada | |

¹ As of November 2022. Excludes UBS Group.

Dividend equivalents (granted where applicable regulation permits) are subject to the same terms as the underlying LTIP award.

LTIP awards reflect the long-term focus of our compensation framework. The final number of shares as determined at the end of the three-year performance period will vest in three equal installments in each of the three years following the performance period for GEB members (i.e., years 3, 4 and 5 after grant), although longer deferral periods may apply for regulated employees).

LTIP payout illustration

- The final number of notional shares vesting will vary based on the achievement versus the performance metrics.
- Linear payout between threshold and maximum performance.
- Achievement levels are a percentage of the maximum opportunity of the LTIP and cannot exceed 100%.
- Full forfeiture for performance below the predefined threshold levels.
- UK Senior Management Function holders (SMFs) and UK Material Risk Takers (UK MRTs) are subject to an additional non-financial metric based on a conduct assessment with a potential downward adjustment of up to 100% of the entire award.

| Performance metric: average RoCET1 (50% of award) | | |
|--|---|-----------------------------------|
| Below threshold (<8%) | Threshold (8%) up to maximum (<18%) | Maximum and above (≥18%) |
| Full forfeiture (payout 0%) | Partial vest (payout between 33% and <100%) | Full vest (payout 100%) |

| Performance metric: rTSR vs G-SIBs index (50% of award) | | |
|--|---|-----------------------------------|
| Below threshold (<-25 ppts) | Threshold (-25 ppts) up to maximum (+25 ppts) | Maximum and above (≥+25 ppts) |
| Full forfeiture (payout 0%) | Partial vest (payout between 33% and <100%) | Full vest (payout 100%) |

Performance achievement of the 2019 LTIP granted in 2020

The 2019 LTIP was granted in 2020 (for 2019 performance) at a fair value of 62.25% of a maximum of 100%. The final performance achieved is 98% of a maximum of 100%. This achievement reflects the outcome of the two equally weighted performance metrics, RoCET1 and rTSR, both measured over the three-year performance period from 1 January 2020 to 31 December 2022. The achievement level of this 2019 LTIP award (granted in 2020) applies to 8 current GEB members and 102 other plan participants.

We achieved a three-year average RoCET1 performance of 17.3% against the performance range of 6% to 18%, and an rTSR outperformance of +50.9 percentage points versus the index of listed Global Systemically Important Banks (G-SIBs). No adjustments, pandemic-related or otherwise, were made in the assessment of the performance conditions. For context, at the time when the LTIP was introduced, our communicated ambition for RoCET1 was 12–15%. This ambition level has since been updated and was raised to 15–18%, as communicated in February 2022.

For GEB members, the first of the three equal installments of the 2019 LTIP vested on 1 March 2023 and the second and third installments will vest in March 2024 and 2025; while for selected senior management, the 2019 LTIP cliff vested on 1 March 2023 (later dates may apply for regulated employees). For context, and as outlined in our 2019 Compensation Report, up to CHF 7.3m, or 30%, of the 2019 LTIP awards at grant for GEB members active in March 2017 continues to be at risk and directly linked to the final resolution of the French cross-border matter. In addition, a malus clause allows the Compensation Committee to assess any new information that becomes available in the future in relation to the matter and for the affected GEB members, and to retrospectively reduce any undelivered 2019 LTIP award by up to the full amount if any new information would have impacted our compensation decision in 2019. This matter continues to be ongoing and, once resolved, the final outcome will be reflected in the final amounts delivered to relevant current and former employees.

Performance achievement for the 2019 LTIP awarded in 2020

| Performance metrics | Performance metric outcome | | 2019 LTIP achievement level | |
|--|----------------------------|---------|--|---|
| | Threshold | Maximum | Threshold | Maximum |
| RoCET1 (Weight: 50%) | 6% | 18% | 33% | 100% |
| | Outcome: 17.3% | | Outcome below threshold: full forfeiture | Achievement: 96% |
| rTSR (Weight: 50%) | -25ppts | +25ppts | 33% | 100% |
| | Outcome: 50.9ppts | | Achievement: 100% | Outcome above maximum: achievement capped at 100% |
| Overall 2019 LTIP achievement level | | | Overall achievement: 98% | |

Equity Ownership Plan / Fund Ownership Plan

The Equity Ownership Plan (the EOP) is the deferred compensation plan for employees outside of the GEB that are subject to deferral requirements. For the 2022 performance year, we granted EOP awards to 4,458 employees.

Delivering sustainable results is a key objective for UBS. Our EOP creates a direct link with shareholder returns as a notional equity award and has no upward leverage. This approach promotes growth and sustainable performance. EOP awards generally vest over three years.

In place of EOP, employees in investment areas within Asset Management receive some or all of their EOP in the form of notional funds (the Fund Ownership Plan (the FOP), previously named AM EOP) to align their compensation more closely with industry standards. This plan is generally delivered in cash and vests over three years.

- › Refer to “Vesting of outstanding awards granted in prior years subject to performance metrics and thresholds” in the “Supplemental information” section of this report for more information

Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (the DCCP) is a key component of our compensation framework and supports alignment of the interests of our senior employees with those of our stakeholders.

All employees subject to deferral requirements receive DCCP awards. For the 2022 performance year, we granted DCCP awards to 4,326 employees.

The DCCP is consistent with many of the features of the loss-absorbing bonds that we issue to investors and may be paid at vesting in cash or, at the discretion of the firm, as a perpetual, marketable additional tier 1 (AT1) capital instrument. Employees can elect to have their DCCP awards denominated in Swiss francs or US dollars.

DCCP awards vest in full after five years (longer deferral periods may apply for regulated employees). DCCP awards bear notional interest paid annually (except as limited by regulation for MRTs), subject to review and confirmation by the Compensation Committee. The notional interest rate for grants in 2023 was 4.85% for awards denominated in Swiss francs and 7.80% for awards denominated in US dollars. These interest rates are based on the current market rates for similar AT1 capital instruments issued by UBS Group.

Awards are forfeited if a viability event occurs (i.e., if FINMA notifies the firm that the DCCP awards must be written down to mitigate the risk of an insolvency, bankruptcy or failure of UBS) or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. DCCP awards are also written down for GEB members if the Group’s CET1 capital ratio falls below 10% and for all other employees if it falls below 7%.

In addition, GEB members forfeit 20% of DCCP awards for each loss-making year during the vesting period. This means 100% of the award is subject to risk of forfeiture. The forfeiture features of DCCP create a strong alignment with our debt holders and support the sustainability of the firm.

Over the last five years, USD 2.0bn of DCCP awards have been issued, contributing to the Group's total loss-absorbing capacity (TLAC). Therefore, DCCP awards not only support competitive pay but also provide a loss absorption buffer that protects the firm's capital position. The following table illustrates the contribution of the DCCP to our AT1 capital and the effect on our TLAC ratio.

- › Refer to the "Supplemental information" section of this report for more information about performance award and personnel-related expenses
- › Refer to the "Supplemental information" section of this report for more information about longer vesting and clawback periods for MRTs and SMFs

Contribution of the Deferred Contingent Capital Plan to our loss-absorbing capacity¹

| <i>USD m, except where indicated</i> | 31.12.22 | 31.12.21 |
|---|--------------|----------|
| Deferred Contingent Capital Plan (DCCP), eligible as high-trigger loss-absorbing additional tier 1 capital | 1,794 | 1,730 |
| DCCP contribution to the total loss-absorbing capacity ratio (%) | 0.6 | 0.6 |

¹ Refer to "Bondholder information" at ubs.com/investors for more information about the capital instruments of UBS Group AG and UBS AG both on a consolidated and a standalone basis.

Other variable compensation components

To support hiring and retention, particularly at senior levels, we may offer other compensation components, such as:

- retention payments to key employees to induce them to stay, particularly during critical periods for the firm, such as a sale or wind-down of a business;
- on a limited basis, guarantees that may be required to attract individuals with certain skills and experience – these awards are fixed incentives subject to our standard deferral rules and limited to the first full year of employment;
- awards granted to employees hired late in the year to replace performance awards that they would have earned at their previous employer, but have foregone by joining UBS – these awards are generally structured with the same level of deferral as for employees at a similar level at UBS; and
- in exceptional cases, sign-on awards may be offered to candidates to increase the chances of them accepting our offer.

These other variable compensation components are subject to a comprehensive governance process, which may involve the Compensation Committee, depending on the amount or type of such payments.

Employees outside of the GEB that are made redundant may receive severance payments. Our severance terms comply with the applicable local laws (legally obligated severance). In certain locations, we may provide severance packages that are negotiated with our local social partners and may go beyond the applicable minimum legal requirements (standard severance). Such payments are governed by location-specific severance policies. In addition, we may make severance payments that exceed legally obligated or standard severance payments where we believe these are aligned with market practice and appropriate under the circumstances (supplemental severance). GEB members do not receive severance payments.

Replacement awards and forfeitures

In line with industry practice, our compensation framework and plans include provisions generally requiring reduction / forfeiture of a terminated employee's unvested or deferred awards. In particular, these provisions apply if the terminated employee joins another financial services organization and / or violates restrictive covenants, such as solicitation of clients or employees.

Conversely, to attract external top talent, market practice dictates that we consider replacing their forfeited compensation from their prior employer. In select situations and based on careful consideration, we replace the lost compensation of senior hires. The replacement awards are subject to UBS's harmful acts provisions. Their value is subject to independent review as part of the "Report of the statutory auditor on the compensation report" to support the like-for-like nature of the replacement and to confirm that these awards do not represent sign-on payments (i.e., there are no "golden hellos").

Based on a thorough review of available documentation, we aim to mirror the type, conditions and timing of the forfeited compensation, based on actual facts and circumstances. Replacement awards can include cash payments and / or deferred awards, including EOP share awards and DCCP awards. Where payments are made in cash, there is typically a clawback period if the employee leaves UBS voluntarily within 12 months of the start of employment. The replacement awards do not exceed the commercial or fair value of the compensation actually forfeited by the individual and, in case of GEB members, are disclosed transparently. The total 2022 forfeitures of USD 188m of previously awarded deferred compensation offset the 2022 total sign-on payments, replacement payments and guarantees of USD 153m.

In March 2022, Sarah Youngwood joined the GEB and succeeded Kirt Gardner as Group CFO effective 16 May 2022. Before joining UBS, Ms. Youngwood was CFO for JPMorgan Chase Consumer & Community Banking, CFO for Firmwide Technology and CFO for Diversity & Inclusion. In October 2022, Naureen Hassan joined the GEB and succeeded Tom Naratil in his role as President UBS Americas. She joined UBS from the Federal Reserve Bank of New York, where she was COO and First Vice President.

Consistent with the terms of the compensation forfeited at her previous employer, Sarah Youngwood received replacement awards with a total value of CHF 7,206,683, consisting of an EOP share award representing 291,584 UBS shares (denominated in Swiss francs), and replacement of cash items. The deferred portion of the award will vest in various installments between 2023 and 2026. Similarly, Naureen Hassan received replacement awards with a total value of CHF 65,229, consisting of a deferred cash award (vesting in 2023) and replacement of cash items. These replacement awards reflect the different compensation structures of the industries and organizations we recruit from.

Sign-on payments, replacement payments, guarantees and severance payments

| | Total 2022 | of which: non-deferred cash | of which: deferred compensation awards | Total 2021 | Number of beneficiaries | |
|---|------------|-----------------------------|--|------------|-------------------------|--------------|
| | | | | | 2022 | 2021 |
| <i>USD m, except where indicated</i> | | | | | | |
| Total sign-on payments¹ | 0 | 0 | 0 | 0 | 1 | 0 |
| <i>of which: Key Risk Takers²</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> |
| Total replacement payments³ | 110 | 28 | 82 | 119 | 452 | 463 |
| <i>of which: Key Risk Takers²</i> | <i>32</i> | <i>10</i> | <i>22</i> | <i>43</i> | <i>19</i> | <i>13</i> |
| Total guarantees⁴ | 43 | 22 | 21 | 17 | 49 | 40 |
| <i>of which: Key Risk Takers²</i> | <i>26</i> | <i>12</i> | <i>15</i> | <i>2</i> | <i>9</i> | <i>1</i> |
| Total severance payments^{1,5} | 233 | 233 | 0 | 160 | 1,745 | 1,477 |
| <i>of which: Key Risk Takers²</i> | <i>1</i> | <i>1</i> | <i>0</i> | <i>3</i> | <i>8</i> | <i>10</i> |

¹ GEB members are not eligible for sign-on or severance payments. Sign-on awards exclude one-time payments for junior associate hires into the Investment Bank. Including these, the 2022 and 2021 total sign-on payments are USD 1m for each respective year. All one-time payments for junior associate hires are subject to a 12-month clawback condition. Prior period information has been adjusted to exclude awards granted to employees hired late in the year. ² Expenses for Key Risk Takers are full-year amounts for individuals in office on 31 December 2022. Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees). ³ Includes replacement payments for two GEB members in 2022 and for one GEB member in 2021. Includes awards granted to employees hired late in the year to replace performance awards that they would have earned at their previous employers, but have foregone by joining UBS. Prior period information has been adjusted to include awards granted to employees hired late in the year. ⁴ No GEB member received a guarantee in 2022 or 2021. ⁵ Includes legally obligated and standard severance payments, as well as payments in lieu of notice.

Forfeitures¹

| | Total 2022 | Total 2021 |
|--|------------|------------|
| <i>USD m, except where indicated</i> | | |
| Total forfeitures | 188 | 258 |
| <i>of which: former GEB members</i> | <i>3</i> | <i>23</i> |
| <i>of which: Key Risk Takers²</i> | <i>12</i> | <i>8</i> |

¹ For notional share awards, forfeitures are calculated as units forfeited during the year, valued at the share price on 31 December 2022 (USD 18.67) for 2022. The 2021 data is valued using the share price on 31 December 2021 (USD 17.87). For LTIP the forfeited units reflect the fair value awarded at grant. For the notional funds awarded to Asset Management employees under the EOP, this represents the forfeiture credits recognized in 2022 and 2021. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. Numbers presented may differ from the effect on the income statement in accordance with IFRS. ² Key Risk Takers as defined by UBS, including all employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees) and excluding former GEB members who forfeited awards in 2022 or 2021.

Employee share ownership

According to available records on employee shareholdings, including unvested deferred compensation, as of 31 December 2022, employees held at least USD 4.6bn of UBS shares (of which approximately USD 2.9bn were unvested), representing approximately 7% of our total shares issued.

The Equity Plus Plan is our employee share purchase program. It allows employees at Executive Director level and below to voluntarily invest up to 30% of their base salary and / or regular commission payments to purchase UBS shares. In addition (where offered), eligible employees can invest up to 35% of their performance award under the program. Participation in the program is capped at USD / CHF 20,000 annually. Eligible employees may purchase UBS shares at market price and receive one additional share for every three shares purchased through the program. Additional shares vest after a maximum of three years, provided the employee remains employed by UBS and has retained the purchased shares throughout the holding period.

› Refer to "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2022 for more information

Compensation for US financial advisors in Global Wealth Management

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management consists of cash compensation and deferred compensation awards, determined using a formulaic approach based on production.

The monthly cash compensation is determined using an overall percentage rate for each financial advisor. It reflects a percentage of the compensable production that each financial advisor generates during that month. Compensable production is generally based on transaction revenue and investment advisory fees and may reflect further adjustments. The percentage rate generally varies based on the level of the production and firm tenure, supporting growth and alignment with the investment strategy and goals of our clients.

Financial advisors may also be granted annual deferred compensation. These amounts generally vest over a six-year period. The annual deferred compensation amount reflects their overall percentage rate and production, as previously outlined.

Cash compensation and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm's rules, standards, practices and / or policies, and / or applicable laws and regulations.

Financial advisors may also participate in additional programs to support promoting and developing their business or supporting the transition of client relationships where appropriate.

2022 Group performance outcomes

Performance awards granted for the 2022 performance year

The "Variable compensation" table below shows the amount of variable compensation awarded to employees for the 2022 performance year, together with the number of beneficiaries for each type of award granted. In the case of deferred awards, the final amount paid to an employee depends on performance conditions and consideration of relevant forfeiture provisions. The deferred share award amount is based on the market value of these awards on the date of grant.

Variable compensation

| USD m, except where indicated | Expenses recognized in the IFRS income statement | | Expenses deferred to future periods ³ | | Accounting adjustments ^{3,4} | | Total | | Number of beneficiaries ⁶ | |
|---|--|--------------|--|--------------|---------------------------------------|--------------------------|--------------|--------------|--------------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Non-deferred cash | 2,276 | 2,383 | 0 | 0 | (18) | 0 | 2,259 | 2,383 | 59,570 | 57,783 |
| Deferred compensation awards | 364 | 405 | 605 | 797 | 58 | 65 | 1,026 | 1,267 | 4,349 | 4,202 |
| of which: Equity Ownership Plan | 202 | 183 | 310 | 393 | 55 | 46 | 568 | 623 | 4,042 | 3,807 |
| of which: Deferred Contingent Capital Plan | 129 | 140 | 245 | 299 | 0 | 0 | 375 | 438 | 4,206 | 4,170 |
| of which: Long-Term Incentive Plan | 11 | 54 | 30 | 50 | 3 | 18 | 43 | 122 | 14 | 117 |
| of which: Fund Ownership Plan | 21 | 29 | 20 | 56 | 0 | 0 | 41 | 84 | 295 | 374 |
| Variable compensation – performance award pool | 2,640 | 2,788 | 605 | 797 | 40 | 65 | 3,285 | 3,650 | 59,590 | 57,793 |
| Variable compensation – financial advisors¹ | 3,799 | 4,175 | 1,290 | 1,097 | 0 | 0 | 5,089 | 5,272 | 6,245 | 6,218 |
| Variable compensation – other² | 169 | 191 | 237 | 215 | (146)⁵ | (121)⁵ | 260 | 285 | | |
| Total variable compensation | 6,608 | 7,155 | 2,131 | 2,109 | (106) | (56) | 8,634 | 9,207 | | |

¹ Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ² Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ³ Estimates as of 31 December 2022 and 2021. Actual amounts to be expensed in future periods may vary; e.g., due to forfeiture of awards. ⁴ Represents estimated post-vesting transfer restriction and permanent forfeiture discounts, as well as currency translation adjustments. ⁵ Included in expenses deferred to future periods is an amount of USD 146m (2021: USD 121m) in interest expense related to the Deferred Contingent Capital Plan. As the amount recognized as performance award represents the present value of the award at the date it is granted to the employee, this amount is excluded. ⁶ Excludes awards that are part of other variable compensation.

2022 performance award pool and expenses

The performance award pool, which includes performance-based variable awards for 2022, was USD 3.3bn, reflecting a decrease of 10% compared with 2021. Performance award expenses for 2022 remained at USD 3.2bn, reflecting decreased performance award expenses accrued in the performance year, offset by increased performance award expenses related to prior performance years. The "Performance award pool and expenses" table below compares the performance award pool with performance award expenses.

Performance award pool and expenses

| USD m, except where indicated | 2022 | 2021 | % change |
|---|--------------|--------------|----------|
| Performance award pool ¹ | 3,285 | 3,650 | (10) |
| of which: expenses deferred to future periods and accounting adjustments ^{2,3} | 645 | 862 | (25) |
| Performance award expenses accrued in the performance year | 2,640 | 2,788 | (5) |
| Performance award expenses related to prior performance years | 566 | 402 | 41 |
| Total performance award expenses recognized for the year⁴ | 3,205 | 3,190 | 0 |

¹ Excluding employer-paid taxes and social security. ² Estimate as of the end of the performance year. Actual amounts expensed in future periods may vary, e.g., due to forfeiture of awards. ³ Accounting adjustments represent estimated post-vesting transfer restriction and permanent forfeiture discounts, as well as currency translation adjustments. ⁴ Refer to "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2022 for more information.

Compensation for the Board of Directors

Chairman of the BoD

Colm Kelleher was elected Chairman of the BoD at the 2022 AGM on 6 April 2022. Under his leadership, the BoD determines, among other things, the strategy for the Group, based on recommendations by the Group CEO, exercises ultimate supervision over management and appoints all GEB members.

The Chairman leads all general meetings and BoD meetings and works with the committee Chairpersons to coordinate the work of all BoD committees. Together with the Group CEO, the Chairman is responsible for effective communication with shareholders and stakeholders, including clients, government officials, regulators and public organizations. The Chairman works closely with the Group CEO and other GEB members, providing advice and support when appropriate, and continues to strengthen and promote our culture through the three keys to success: our Pillars, Principles and Behaviors.

As an independent director, the Chairman's total compensation for the period from AGM to AGM consists of a fixed fee without any variable component, which is delivered 50% in cash and 50% in shares (blocked for four years). For the current period, from the 2022 AGM to the 2023 AGM, his fixed fee was CHF 4.7m and consisted of a cash payment of CHF 2.35m and a share component of CHF 2.35m, consisting of 116,961 UBS shares at CHF 20.092 per share. The share component aligns the Chairman's pay with the Group's long-term performance. The Chairman does not receive performance awards, severance payments or pension contributions in addition to his fixed fee, but, given the full-time nature of his role, he is eligible for employee conditions on UBS products and services.

- › Refer to "Board of Directors" in the "Corporate governance" section of our Annual Report 2022 for more information about the responsibilities of the Chairman

Vice Chairman of the BoD

Lukas Gähwiler was elected as a member of the BoD at the 2022 AGM on 6 April 2022 and thereafter appointed as Vice Chairman. In this newly defined full-time role, he leads the BoD in the absence of the Chairman. Together with the Senior Independent Director, he also supports the Chairman in all aspects of corporate governance and oversight across the Group. In particular, he represents UBS across a broad range of associations and industry bodies in Switzerland.

The Vice Chairman's total compensation for the period from AGM to AGM consists of a fixed fee without any variable component, which is delivered 50% in cash and 50% in shares (blocked for four years). For the current period, from the 2022 AGM to the 2023 AGM, his fixed fee was CHF 1.5m, excluding benefits and pension fund contributions. The fixed fee consisted of a cash payment of CHF 0.75m and a share component of CHF 0.75m, consisting of 37,328 UBS shares at CHF 20.092 per share. The fee for the new full-time Vice Chairman was absorbed within the existing budget and does not result in an increase of the proposed maximum aggregate amount for BoD compensation.

As a non-independent director, Mr. Gähwiler is entitled to pension fund contributions. Including these, his total reward for his service as Vice Chairman for the current period was CHF 1,879,010.

The Vice Chairman is not eligible for performance awards, severance terms or supplementary contributions to pension plans. The pension contributions and benefits for the Vice Chairman, in his capacity as non-independent director, are consistent with all UBS employees and aligned with local market practice.

- › Refer to "Board of Directors" in the "Corporate governance" section of our Annual Report 2022 for more information about the responsibilities of the Vice Chairman

Other BoD members

BoD members, except the Chairman and Vice Chairman, receive fixed fees for their services on the BoD and its committees. BoD members do not receive performance awards, severance payments, benefits or pension contributions (the benefit eligibility of the Chairman and that of the Vice Chairman are described above).

BoD members must use a minimum of 50% of their fees to purchase UBS shares, which are blocked for four years, and they may elect to use up to 100% of their fees to purchase blocked UBS shares. As outlined above, the fixed fees of the Chairman and Vice Chairman are delivered 50% in cash and 50% in shares, which are blocked for four years. The number of shares is calculated based on the average closing price of the 10 trading days leading up to and including the grant date.

At each AGM, shareholders are invited to approve the aggregate amount of BoD remuneration, including the compensation for the Chairman and Vice Chairman, which applies until the next AGM. The chart and the tables below provide details on the fee structure for the BoD members.

Remuneration framework for BoD members

| CHF | 2022 AGM to 2023 AGM | | Pay mix | Delivery | | | | | |
|--|----------------------|---------------|----------------|----------|------------|--------|--------|--------|--------|
| Annual fixed fees¹ | | | Blocked shares | 50% | grant year | year 1 | year 2 | year 3 | year 4 |
| Chairman | 4,700,000 | | | | | | | | |
| Vice Chairman | 1,500,000 | | Cash | 50% | grant year | year 1 | year 2 | year 3 | year 4 |
| Fees for other BoD members² | | | | | | | | | |
| Fixed base fee | 300,000 | | Chair | Member | grant year | year 1 | year 2 | year 3 | year 4 |
| Senior Independent Director | 150,000 | | | | | | | | |
| | | | | | | | | | |
| | Chair | Member | | | | | | | |
| Audit Committee | 300,000 | 200,000 | | | | | | | |
| Compensation Committee | 200,000 | 100,000 | | | | | | | |
| Governance and Nominating Committee | | 100,000 | | | | | | | |
| Corporate Culture and Responsibility Committee | | 50,000 | | | | | | | |
| Risk Committee | 350,000 | 200,000 | | | | | | | |

¹ The Chairman and the Vice Chairman do not receive committee or other fees in addition to their annual fixed fee. Their fixed fee is delivered 50% in cash and 50% in shares (blocked for four years). See above for the benefit eligibility of the Chairman and Vice Chairman.

² At least 50% of the total amounts must be used to purchase UBS shares, which are blocked for four years, but other BoD members can elect to use 100% of their remuneration to purchase blocked UBS shares.

Approval governance for BoD compensation

The Chairperson of the Compensation Committee proposes and the Compensation Committee approves the compensation of the Chairman and that of the Vice Chairman annually for the upcoming AGM-to-AGM period, taking into consideration fee or compensation levels for comparable roles based on our core financial industry peers and other relevant leading Swiss companies included in the Swiss Market Index.

The fee structure for the other BoD members is reviewed annually based on the Chairman's proposal to the Compensation Committee, which in turn submits a proposal to the BoD for approval. In our regular review of the BoD fee structure, we concluded that our overall approach for BoD member compensation remains appropriate and thus unchanged.

- › Refer to "Compensation Governance" in the "Compensation philosophy and governance" section of this report for more information about the remuneration responsibilities of the BoD and Compensation Committee

Remuneration details and additional information for BoD members

Period 2022 AGM to 2023 AGM

CHF, except where indicated

| Name, function ¹ | Audit Committee | Compensation Committee | Corporate Culture and Responsibility Committee | Governance and Nominating Committee | Risk Committee | Base fee | Committee fee(s) | Additional payments ² | Benefits ³ | Total ⁴ | Share percentage ⁵ | Number of shares ^{6,7} |
|--|-----------------|------------------------|--|-------------------------------------|----------------|-----------|------------------|----------------------------------|-----------------------|--------------------|-------------------------------|---------------------------------|
| Colm Kelleher, Chairman ⁸ | | | C | C | | 4,700,000 | | | 86,494 | 4,786,494 | 50 | 116,961 |
| Lukas Gähwiler, Vice Chairman ⁸ | | | | | | 1,500,000 | | | 379,010 | 1,879,010 | 50 | 37,328 |
| Jeremy Anderson, Senior Independent Director | C | | | M | | 300,000 | 400,000 | 150,000 | | 850,000 | 50 | 21,152 |
| Claudia Böckstiegel, member | | | M | | | 300,000 | 50,000 | | | 350,000 | 50 | 8,709 |
| William C. Dudley, member | | | M | | M | 300,000 | 250,000 | | | 550,000 | 50 | 13,687 |
| Patrick Firmenich, member | M | | M | | | 300,000 | 250,000 | | | 550,000 | 100 | 26,130 |
| Fred Hu, member | | | | M | | 300,000 | 100,000 | | | 400,000 | 100 | 14,722 |
| Mark Hughes, member | | | M | | C | 300,000 | 400,000 | | | 700,000 | 50 | 17,419 |
| Nathalie Rachou, member | | | | M | M | 300,000 | 300,000 | | | 600,000 | 50 | 14,931 |
| Julie G. Richardson, member | | C | | | M | 300,000 | 400,000 | | | 700,000 | 50 | 17,419 |
| Dieter Wemmer, member | M | M | | | | 300,000 | 300,000 | | | 600,000 | 50 | 14,931 |
| Jeanette Wong, member | M | M | | | | 300,000 | 300,000 | | | 600,000 | 100 | 22,127 |
| Aggregate of all BoD members 2022/2023 | | | | | | | | | | 12,565,504 | | |
| Aggregate of all BoD members 2022/2023 in USD (for reference) ⁹ | | | | | | | | | | 13,035,831 | | |

Period 2021 AGM to 2022 AGM

CHF, except where indicated

| Name, function ¹ | Audit Committee | Compensation Committee | Corporate Culture and Responsibility Committee | Governance and Nominating Committee | Risk Committee | Base fee | Committee fee(s) | Additional payments ¹⁰ | Benefits | Total ⁴ | Share percentage ⁵ | Number of shares ^{6,7} |
|--|-----------------|------------------------|--|-------------------------------------|----------------|-----------|------------------|-----------------------------------|----------|--------------------|-------------------------------|---------------------------------|
| Axel A. Weber, Chairman ¹¹ | | | C | C | | 4,900,000 | | | 324,913 | 5,224,913 | 29 | 72,939 |
| Jeremy Anderson, Vice Chairman and Senior Independent Director | C | | | M | | 300,000 | 400,000 | 150,000 | | 850,000 | 50 | 22,142 |
| Claudia Böckstiegel, member | | | | | | 300,000 | 0 | | | 300,000 | 50 | 7,814 |
| William C. Dudley, member | | | M | M | M | 300,000 | 350,000 | | | 650,000 | 50 | 16,932 |
| Patrick Firmenich, member | | | | | | 300,000 | 250,000 | | | 550,000 | 100 | 27,275 |
| Reto Francioni, member | | M | | | M | 300,000 | 300,000 | | | 600,000 | 50 | 15,629 |
| Fred Hu, member | | | | M | M | 300,000 | 300,000 | | | 600,000 | 100 | 23,062 |
| Mark Hughes, member | | | M | | C | 300,000 | 400,000 | | | 700,000 | 50 | 18,234 |
| Nathalie Rachou, member | | | | | M | 300,000 | 200,000 | | | 500,000 | 50 | 13,024 |
| Julie G. Richardson, member | | C | | M | M | 300,000 | 500,000 | | | 800,000 | 50 | 20,839 |
| Dieter Wemmer, member | M | M | | M | | 300,000 | 400,000 | | | 700,000 | 50 | 18,234 |
| Jeanette Wong, member | M | M | M | | | 300,000 | 350,000 | | | 650,000 | 100 | 24,988 |
| Aggregate of all BoD members 2021/2022 | | | | | | | | | | 12,124,913 | | |

Legend: C = Chairperson of the respective Committee, M = Member of the respective Committee

1 Twelve BoD members were in office on 31 December 2022. At the 2022 AGM, Colm Kelleher and Lukas Gähwiler were newly elected and Reto Francioni and Axel A. Weber did not stand for re-election. Twelve BoD members were in office on 31 December 2021. 2 These payments are associated with the Senior Independent Director role. 3 For the period from the 2022 AGM to the 2023 AGM, benefits amount is an estimate. For the Vice Chairman, the benefits include the portion related to UBS's contribution to the statutory pension scheme. 4 Excludes UBS's portion related to the legally required social security contributions, which for the period from the 2022 AGM to the 2023 AGM (including the Chairman and Vice Chairman) is estimated at grant at CHF 731,329 and which for the period from the 2021 AGM to the 2022 AGM was estimated at grant at CHF 719,763. The legally required social security contributions paid by the independent BoD members are included in the amounts shown in this table, as appropriate. 5 Except for the former Chairman (see footnote 11), fees are paid 50% in cash and 50% in blocked UBS shares. 6 For 2022, UBS shares were valued at CHF 20.092 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date). For 2021, UBS shares were valued at CHF 19.194 (average closing price of UBS shares over the last 10 trading days leading up to and including the grant date). These shares are blocked for four years. 7 Number of shares is reduced in case of the 100% election to deduct legally required contributions. All remuneration payments are, where applicable, subject to social security contributions and / or withholding tax. 8 The Chairman and the Vice Chairman do not receive committee fees in addition to their annual fixed fee. 9 Swiss franc amounts have been translated into US dollars for reference at the 2022 performance award currency exchange rate of CHF / USD 1.03743. 10 This payment is associated with the Senior Independent Director function and the Vice Chairman role. 11 In his function as non-independent BoD member for the AGM period 2021/2022, the former Chairman received a base salary of CHF 3,500,000 and an annual share award of CHF 1,400,000. This remuneration is included above in the Base fee column.

Supplemental information

Fixed and variable compensation for GEB members

Fixed and variable compensation for GEB members^{1,2,3}

| CHF m, except where indicated | Total for 2022 | | Not deferred | | Deferred ⁴ | | Total for 2021 |
|--|----------------|-----|--------------|-----|-----------------------|----|----------------|
| | Amount | % | Amount | % | Amount | % | Amount |
| Total compensation | | | | | | | |
| Amount ⁵ | 104 | 100 | 39 | 38 | 65 | 63 | 105 |
| Number of beneficiaries | 15 | | | | 0 | | 15 |
| Fixed compensation^{5,6} | 23 | 22 | 23 | 100 | 0 | 0 | 25 |
| Cash-based | 21 | 20 | 21 | | 0 | | 22 |
| Equity-based | 2 | 2 | 2 | | 0 | | 3 |
| Variable compensation | 81 | 78 | 16 | 20 | 65 | 80 | 80 |
| Cash ⁷ | 16 | 15 | 16 | | 0 | | 16 |
| Long-Term Incentive Plan (LTIP) ⁸ | 41 | 39 | 0 | | 41 | | 40 |
| Deferred Contingent Capital Plan (DCCP) ⁸ | 24 | 23 | 0 | | 24 | | 24 |

¹ The figures include all GEB members in office during the respective years. ² Includes compensation paid under the employment contract during the notice period for GEB members who stepped down during the respective years. ³ Includes compensation for newly appointed GEB members for their time in office as a GEB member during the respective years. ⁴ Based on the specific plan vesting and reflecting the total award value at grant, which may differ from the expense recognized in the income statement in accordance with IFRS. ⁵ Excludes benefits and employer's contributions to retirement benefit plans. Includes social security contributions paid by GEB members but excludes the portion related to the legally required social security contributions paid by UBS. For 2022, Sarah Youngwood received a one-time replacement award of CHF 7m and Naureen Hassan received a one-time replacement award of CHF 0.07m. The replacement awards are not included in the above table; including these, the 2022 total aggregate compensation of all GEB members is CHF 112m. For 2021, Barbara Levi received a one-time replacement award of CHF 7m. This replacement award is not included in the above table; including this, the 2021 total aggregate compensation of all GEB members is CHF 112m. ⁶ Includes base salary and role-based allowances, rounded to the nearest million. ⁷ Includes allocation of vested but blocked shares, in line with the remuneration section of the UK Prudential Regulation Authority Rulebook. ⁸ For the GEB members who are also MRTs or SMFs, the awards do not include dividend and interest payments. Accordingly, the amounts reflect for the LTIP the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

Regulated staff

Key Risk Takers

Key Risk Takers (KRTs) are defined as those employees that, by the nature of their roles, have been determined to materially set, commit or control significant amounts of the firm's resources and / or exert significant influence over its risk profile. This includes employees working in front-office roles, logistics and control functions. Identifying KRTs globally is part of our risk control framework and an important element in ensuring we incentivize only appropriate risk-taking. For 2022, in addition to GEB members, 699 employees were classified as KRTs throughout UBS Group globally, including all employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees), who may not have been identified as KRTs during the performance year.

In line with regulatory requirements, the performance of employees identified as KRTs during the performance year is evaluated by the control functions. In addition, KRTs' performance awards are subject to a mandatory deferral rate of at least 50%, regardless of whether the deferral threshold has been met (excluding KRTs with de minimis performance awards below a predetermined threshold where standard deferral rates apply). A KRT's deferred compensation award will only vest if the Group performance conditions are met. Consistent with all other employees, the deferred portion of a KRT's compensation is also subject to forfeiture or reduction if the KRT commits harmful acts.

Fixed and variable compensation for Key Risk Takers¹

| <i>USD m, except where indicated</i> | Total for 2022 | | Not deferred | | Deferred ² | | Total for 2021 |
|--|----------------|-----------|--------------|------------|-----------------------|-----------|----------------|
| | Amount | % | Amount | % | Amount | % | Amount |
| Total compensation | | | | | | | |
| Amount | 1,292 | 100 | 790 | 61 | 502 | 39 | 1,561 |
| Number of beneficiaries | 699 | | | | | | 699 |
| Fixed compensation^{3,4} | 438 | 34 | 438 | 100 | 0 | 0 | 477 |
| Cash-based | 435 | 34 | 435 | | | | 474 |
| Equity-based | 3 | 0 | 3 | | | | 3 |
| Variable compensation | 855 | 66 | 353 | 41 | 502 | 59 | 1,084 |
| Cash ⁵ | 353 | 27 | 353 | | | | 418 |
| Long-Term Incentive Plan (LTIP) / Equity Ownership Plan (EOP) / Fund Ownership Plan (FOP) ⁶ | 306 | 24 | | | 306 | | 423 |
| Deferred Contingent Capital Plan (DCCP) ⁶ | 196 | 15 | | | 196 | | 243 |

¹ Includes employees with a total compensation exceeding USD / CHF 2.5m (Highly Paid Employees), excludes payments made to individuals related to their time as GEB member. ² Based on the specific plan vesting and reflecting the total value at grant, which may differ from the expense recognized in the income statement in accordance with IFRS. ³ Excludes benefits and employer's contributions to retirement benefits plan. Includes social security contributions paid by KRTs but excludes the legally required social security contributions paid by UBS. ⁴ Includes base salary and role-based allowances. ⁵ Includes allocation of vested but blocked shares, in line with regulatory requirements where applicable. ⁶ KRTs who are also MRTs do not receive dividend and interest payments. Accordingly, the amounts for the EOP / LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards.

Deferred compensation of the GEB and KRTs

The table below shows the current economic value of unvested outstanding deferred variable compensation awards subject to ex post adjustments. For share-based plans, the economic value is determined based on the closing share price on 31 December 2022. For notional funds, it is determined using the latest available market price for the underlying funds at year-end 2022, and for deferred cash plans, it is determined based on the outstanding amount of cash owed to award recipients.

Deferred compensation of the GEB and KRTs^{1,2,3}

| <i>USD m, except where indicated</i> | Relating to awards for 2022 ⁴ | Relating to awards for prior years ⁵ | Total | <i>of which: exposed to ex-post explicit and / or implicit adjustments</i> | Total deferred compensation year-end 2021 | Total amount of deferred compensation paid out in 2022 ⁶ |
|--|--|---|--------------|--|---|---|
| GEB | | | | | | |
| Deferred Contingent Capital Plan | 25 | 86 | 111 | 100% | 98 | 21 |
| Equity Ownership Plan (including notional funds) | | 45 | 45 | 100% | 78 | 27 |
| Long-Term Incentive Plan | 42 | 118 | 160 | 100% | 119 | |
| KRTs | | | | | | |
| Deferred Contingent Capital Plan | 196 | 907 | 1,104 | 100% | 1,183 | 159 |
| Equity Ownership Plan (including notional funds) | 306 | 905 | 1,210 | 100% | 1,414 | 355 |
| Long-Term Incentive Plan | | 184 | 184 | 100% | 235 | |
| Total GEB and KRTs | 569 | 2,245 | 2,814 | | 3,127 | 562 |

¹ Based on the specific plan vesting and reflecting the economic value of the outstanding awards, which may differ from the expense recognized in the income statement in accordance with IFRS. Year-to-year reconciliations would also need to consider the impacts of additional items including off-cycle awards, FX movements, population changes, and dividend equivalent reinvestments. ² Refer to "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of the Annual Report 2022 for more information. ³ GEB members and KRTs who are also MRTs do not receive dividend and interest payments. Accordingly, the amounts for the EOP / LTIP reflect the fair value of the non-dividend-bearing awards and for the DCCP the fair value of the granted non-interest-bearing awards. ⁴ Where applicable, amounts are translated into US dollars at the performance award currency exchange rate. LTIP values reflect the fair value awarded at grant. ⁵ Takes into account the ex post implicit adjustments, given the share price movements since grant. Where applicable, amounts are translated from award currency into US dollars using FX rates as of 31 December 2022. LTIP values reflect the fair value awarded at grant. ⁶ Valued at distribution price and FX rate for all awards distributed in 2022.

The table below shows the value of actual ex post explicit and implicit adjustments to outstanding deferred compensation in the 2022 financial year for GEB members and KRTs.

Ex post adjustments occur after an award has been granted. Explicit adjustments occur when we adjust compensation by forfeiting deferred awards. Implicit adjustments are unrelated to any action taken by the firm and occur as a result of price movements that affect the value of an award.

The total value of ex post explicit adjustments made to UBS share awards in 2022, based on the approximately 5.8m shares forfeited during 2022, is a reduction of USD 110m.

GEB and KRTs ex post explicit and implicit adjustments to deferred compensation

| USD m | Ex post explicit adjustments to unvested awards ¹ | | Ex post implicit adjustments to unvested awards ² | |
|---|--|-------------|--|------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| GEB | | | | |
| Deferred Contingent Capital Plan | 0 | 0 | 0 | 0 |
| Equity Ownership Plan (including notional funds, if applicable) | 0 | 0 | 9 | 17 |
| Long-Term Incentive Plan | 0 | 0 | 25 | 21 |
| KRTs | | | | |
| Deferred Contingent Capital Plan | (8) | (14) | 0 | 0 |
| Equity Ownership Plan (including notional funds) | (4) | (16) | 129 | 250 |
| Long-Term Incentive Plan | | (1) | 38 | 47 |
| Total GEB and KRTs | (12) | (31) | 201 | 335 |

¹ For notional share awards, ex post explicit adjustments are calculated as units forfeited during the year, valued at the share price on 31 December 2022 (USD 18.67) for 2022 (which may differ from the expense recognized in the income statement in accordance with IFRS). The 2021 data is valued using the share price on 31 December 2021 (USD 17.87). For LTIP, the forfeited units reflect the fair value awarded at grant. For the notional funds awarded to employees in investment areas within Asset Management under the FOP, this represents the forfeiture credits recognized in 2022 and 2021. For the DCCP, the fair value at grant of the forfeited awards during the year is reflected. ² Ex post implicit adjustments for UBS shares are calculated based on the difference between the weighted average grant date fair value and the share price at year-end. The amount for notional funds is calculated using the mark-to-market change during 2022 and 2021. For the GEB member who was appointed to the GEB during 2022, awards have been fully reflected in the GEB entries.

Material Risk Takers

For relevant EU- or UK-regulated entities, we identify individuals who are deemed to be Material Risk Takers (MRTs) based on local regulatory requirements, including the respective EU Commission Delegated Regulation, the fifth iteration of the EU Capital Requirements Directive (CRD V) and equivalent UK requirements, as applicable. This group consists of senior management, risk takers, selected staff in control or support functions and certain highly compensated employees. For 2022, UBS identified 616 MRTs in relation to its relevant EU or UK entities.

Variable compensation awarded to MRTs is subject to additional deferral and other requirements. These include a maximum variable to fixed compensation ratio of 200% based on approval through relevant shareholder votes, a minimum deferral rate of 40% or 60% (depending on role / variable compensation level) on performance awards and delivery of at least 50% of any upfront performance award in UBS shares that are vested but blocked for 12 months after grant.

Deferred awards granted to MRTs under UBS's deferred compensation plans for their performance in 2022 are subject to 6- or 12-month blocking periods post vesting and do not pay out dividends or interest during the deferral period.

For up to seven years after grant, performance awards granted to MRTs are subject to clawback provisions, which allow the firm to claim repayment of both the upfront and the vested deferred element of any performance award if an individual is found to have contributed substantially to significant financial losses for the Group or corporate structure in scope, a material downward restatement of disclosed results, or engaged in misconduct and / or failed to take expected actions that contributed to significant reputational harm.

LTIP awards granted to UK MRTs and SMFs are subject to an additional non-financial conduct-related metric as required by UK regulation.

UK Senior Managers and Certification Regime

The Senior Managers and Certification Regime (the SMCR) of the UK Prudential Regulation Authority and Financial Conduct Authority requires that individuals with specified responsibilities, performing certain significant functions and / or those in certain other identified categories be designated as SMFs.

Subject to de minimis and other compensation-related considerations, variable compensation awards made to SMFs must comply with specific requirements, including longer deferral, blocking and clawback periods. The deferral period for SMFs is seven years, with the deferred performance awards vesting no faster than pro rata from years 3 to 7, except those that have total compensation below GBP 500,000 and variable incentive accounting for less than 33% of total compensation, for whom a five-year deferral period (instead of a seven-year period) applies. Such awards are also subject to a 12-month blocking period post vesting. The clawback policy for SMFs permits clawback for up to 10 years from the date of performance award grants (applicable if an individual is subject to an investigation at the end of the initial seven-year clawback period). All SMFs are also MRTs and, as such, subject to the same prohibitions on dividend and interest payments.

Control functions and Group Internal Audit

Our control functions must be independent in order to monitor risk effectively. Therefore, their compensation is determined separately from the revenue areas that they oversee, supervise or monitor. Their performance award pool is based not on the performance of these businesses, but on the performance of the Group as a whole. We also consider other factors, such as how effectively the function has performed and our market position. Decisions on individual compensation for the senior managers of the control functions are made by the function heads and approved by the Group CEO. Decisions on individual compensation for the members of Group Internal Audit (GIA) are made by the Head GIA and approved by the Chairman. Following a proposal by the Chairman, total compensation for the Head GIA is approved by the Compensation Committee.

2022 Group personnel expenses

The number of personnel employed as of 31 December 2022 increased by 1,212 to 72,597 (full-time equivalents) compared with 31 December 2021.

The table below shows our total personnel expenses for 2022, including salaries, pension expenses, social security contributions, variable compensation and other personnel costs. Variable compensation includes cash performance awards paid in 2023 for the 2022 performance year, amortization of unvested deferred awards granted in previous years and the cost of deferred awards granted to employees that are eligible for retirement in the context of the compensation framework at the date of grant.

The performance award pool reflects the value of performance awards granted relating to the 2022 performance year, including awards that are paid out immediately and those that are deferred. To determine our variable compensation expenses, the following adjustments are required in order to reconcile the performance award pool to the expenses recognized in the Group's financial statements prepared in accordance with IFRS:

- a reduction for expenses deferred to future periods (amortization of unvested awards granted in 2023 for the 2022 performance year) and accounting adjustments; and
- an addition for the 2022 amortization of unvested deferred awards granted in prior years.

As a large part of compensation consists of deferred awards, the amortization of unvested deferred awards granted in prior years forms a significant part of the IFRS expenses in both 2022 and 2023.

➤ Refer to "Note 6 Personnel expenses" and "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2022 for more information

Personnel expenses

| USD m | Expenses recognized in the IFRS income statement | | | | |
|--|--|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | Related to the performance year 2022 | Related to prior performance years | Total expenses recognized in 2022 | Total expenses recognized in 2021 | Total expenses recognized in 2020 |
| Salaries¹ | 7,045 | 0 | 7,045 | 7,339 | 7,023 |
| Non-deferred cash | 2,276 | (16) | 2,260 | 2,373 | 2,141 |
| Deferred compensation awards | 364 | 581 | 945 | 817 | 1,068 |
| of which: Equity Ownership Plan | 202 | 235 | 437 | 363 | 463 |
| of which: Deferred Contingent Capital Plan | 129 | 219 | 349 | 297 | 463 |
| of which: Long-Term Incentive Plan | 11 | 32 | 43 | 73 | 54 |
| of which: Fund Ownership Plan | 21 | 95 | 116 | 84 | 88 |
| Variable compensation – performance awards | 2,640 | 566 | 3,205 | 3,190 | 3,209 |
| Variable compensation – financial advisors² | 3,799 | 709 | 4,508 | 4,860 | 4,091 |
| Variable compensation – other³ | 169 | 71 | 241 | 229 | 220 |
| Total variable compensation⁴ | 6,608 | 1,346 | 7,954 | 8,280 | 7,520 |
| Contractors | 323 | 0 | 323 | 381 | 375 |
| Social security | 903 | 40 | 944 | 978 | 899 |
| Pension and other post-employment benefit plans⁵ | 794 | 0 | 794 | 833 | 845 |
| Other personnel expenses | 598 | 23 | 621 | 576 | 561 |
| Total personnel expenses | 16,271 | 1,410 | 17,680 | 18,387 | 17,224 |

¹ Includes role-based allowances. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Refer to "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2022 for more information. ⁵ Refer to "Note 26 Post-employment benefit plans" in the "Consolidated financial statements" section of our Annual Report 2022 for more information.

Deferred compensation

Vesting of outstanding awards granted in prior years subject to performance metrics and thresholds

The tables below show the extent to which the performance metrics and thresholds for awards granted in prior years have been met and the related vesting in 2023.

| Long-Term Incentive Plan (LTIP) 2019 (performance period 2020–2022) | | |
|--|---|---|
| Performance metrics | Performance achievement ¹ | Vesting |
| Return on common equity tier 1 capital (RoCET1) and relative Total Shareholder Return (rTSR) | The overall achievement level is 98% of the maximum opportunity (of up to 100%), based on outcomes for rTSR (weighted 50%) and RoCET1 (weighted 50%). | <ul style="list-style-type: none"> - For GEB, the first installment will vest in 2023 and the remaining tranches will vest in 2024 and 2025 accordingly. For context, and as outlined in our 2019 Compensation Report, up to CHF 7.3m, or 30%, of the 2019 LTIP awards at grant for GEB members active in March 2017 continues to be at risk and directly linked to the final resolution of the French cross-border matter. - For other select senior management, the full award will vest in 2023. |

¹ As disclosed in our Compensation Report 2019, LTIP awards for the 2019 performance year were awarded at a value of 62.25% of maximum, which reflected our best estimate of the fair value of the award. The maximum number of shares was determined by dividing the awarded amount by the fair value of the award at the date of grant, divided by CHF 12.919 or USD 13.141, the average closing price of UBS shares over the last ten trading days leading up to and including the grant date.

› Refer to “Performance achievement of the 2019 LTIP granted in 2020” in the “Group compensation” section of this report for more information

The below EOP and DCCP thresholds have been set to support the sustainability of the organization and represent minimum performance levels to retain the awards.

| Equity Ownership Plan (EOP) 2017 / 2018, EOP 2018 / 2019, EOP 2019 / 2020 and EOP 2020 / 2021 | | |
|---|--|--|
| Thresholds | Threshold achievement ¹ | Vesting |
| Return on common equity tier 1 capital (RoCET1) and divisional return on attributed equity | The Group and divisional thresholds have been satisfied. | <p>The following installments vest in full:</p> <ul style="list-style-type: none"> - for EOP 2017 / 2018, the third and final installment for GEB members; - for EOP 2018 / 2019, the second installment for the GEB members; - for EOP 2019 / 2020, the second installment for all other employees covered under the plan; and - for EOP 2020 / 2021, the first installment for all other employees covered under the plan. |

| Deferred Contingent Capital Plan (DCCP) 2017 / 2018 | | |
|---|-------------------------------------|-----------------------------------|
| Thresholds | Threshold achievement ¹ | Vesting |
| Common equity tier 1 (CET1) capital ratio, viability event and, additionally for GEB, Group profit before tax | The thresholds have been satisfied. | - DCCP 2017 / 2018 vests in full. |

¹ Performance may be adjusted for disclosed items generally not representative of underlying business performance.

Share ownership / entitlements of GEB members¹

| Name, function | on 31 December | Number of unvested shares / at risk ² | Number of vested shares | Total number of shares | Potentially conferred voting rights in % |
|---|-------------------|---|----------------------------|---------------------------|---|
| Ralph A.J.G. Hamers, Group Chief Executive Officer | 2022 | 349,441 | 5,238 | 354,679 | 0.023 |
| | 2021 | 122,453 | 2,673 | 125,126 | 0.008 |
| Christian Bluhm, Group Chief Risk Officer | 2022 | 707,979 | 0 | 707,979 | 0.046 |
| | 2021 | 654,579 | 226 | 654,805 | 0.041 |
| Mike Dargan, Group Chief Digital and Information Officer | 2022 | 386,141 | 17,955 | 404,096 | 0.026 |
| | 2021 | 240,343 | 82,743 | 323,086 | 0.020 |
| Kirt Gardner, former Group Chief Financial Officer | 2022 | - | - | - | - |
| | 2021 | 780,640 | 236,421 | 1,017,061 | 0.063 |
| Suni Harford, President Asset Management | 2022 | 1,028,210 | 44,202 | 1,072,412 | 0.070 |
| | 2021 | 636,122 | 22,199 | 658,321 | 0.041 |
| Naureen Hassan, President UBS Americas | 2022 | 0 | 0 | 0 | 0.000 |
| | 2021 | - | - | - | - |
| Robert Karofsky, President Investment Bank | 2022 | 1,037,028 | 364,914 | 1,401,942 | 0.092 |
| | 2021 | 851,520 | 357,064 | 1,208,584 | 0.075 |
| Sabine Keller-Busse, President Personal & Corporate Banking and President UBS Switzerland | 2022 | 973,150 | 566,106 | 1,539,256 | 0.101 |
| | 2021 | 798,457 | 421,491 | 1,219,948 | 0.076 |
| Iqbal Khan, President Global Wealth Management and President EMEA | 2022 | 960,301 | 0 | 960,301 | 0.063 |
| | 2021 | 898,111 | 113,715 | 1,011,826 | 0.063 |
| Edmund Koh, President Asia Pacific | 2022 | 724,865 | 579,937 | 1,304,802 | 0.085 |
| | 2021 | 501,322 | 493,977 | 995,299 | 0.062 |
| Barbara Levi, Group General Counsel | 2022 | 407,195 | 45,818 | 453,013 | 0.030 |
| | 2021 | 430,732 | 0 | 430,732 | 0.027 |
| Tom Naratil, former Co-President Global Wealth Management and President UBS Americas | 2022 | - | - | - | - |
| | 2021 | 1,374,044 | 950,682 | 2,324,726 | 0.145 |
| Markus Ronner, Group Chief Compliance and Governance Officer | 2022 | 586,283 | 0 | 586,283 | 0.038 |
| | 2021 | 418,452 | 57,856 | 476,308 | 0.030 |
| Sarah Youngwood, Group Chief Financial Officer | 2022 | 299,729 | 0 | 299,729 | 0.020 |
| | 2021 | - | - | - | - |
| Total | 2022 | 7,460,322 | 1,624,170 | 9,084,492 | 0.593 |
| | 2021 | 7,706,776 | 2,739,047 | 10,445,823 | 0.650 |

¹ Includes all vested and unvested shares of GEB members, including those held by related parties. No options were held in 2022 and 2021 by any GEB member or any of its related parties. Refer to "Note 27 Employee benefits: variable compensation" in the "Consolidated financial statements" section of our Annual Report 2022 for more information. ² Includes shares granted under variable compensation plans with forfeiture provisions. For the 2019/20 LTIP award, the values reflect the final value. For all other LTIP awards, the values reflect the fair value awarded at grant. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Group compensation" section of this report for more information about the plans.

**Total of all vested and unvested shares of GEB members^{1,2}**

| | Total | of which: vested | of which: vesting | | | | | |
|----------------------------|------------|------------------|-------------------|-----------|-----------|-----------|---------|--------|
| | | | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Shares on 31 December 2022 | 9,084,492 | 1,624,170 | 1,572,210 | 1,952,123 | 2,020,881 | 1,281,201 | 599,733 | 34,174 |
| | | | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| Shares on 31 December 2021 | 10,445,823 | 2,739,047 | 1,463,440 | 1,688,568 | 2,112,516 | 1,488,544 | 877,856 | 75,852 |

¹ Includes shares held by related parties. ² Includes shares granted under variable compensation plans with forfeiture provisions. The actual number of shares vesting in the future will be calculated under the terms of the plans. Refer to the "Group compensation" section of this report for more information.



Audited I

Number of shares of BoD members¹

| Name, function | on 31 December | Number of shares held | Voting rights in % |
|---|----------------|-----------------------|--------------------|
| Colm Kelleher, Chairman ² | 2022 | 339,084 | 0.022 |
| | 2021 | - | |
| Lukas Gähwiler, Vice Chairman ^{2, 3} | 2022 | 283,907 | 0.019 |
| | 2021 | - | |
| Axel A. Weber, former Chairman ² | 2022 | - | |
| | 2021 | 1,148,369 | 0.071 |
| Jeremy Anderson, Senior Independent Director | 2022 | 119,660 | 0.008 |
| | 2021 | 97,518 | 0.006 |
| Claudia Böckstiegel, member | 2022 | 7,814 | 0.001 |
| | 2021 | 0 | 0.000 |
| William C. Dudley, member | 2022 | 66,646 | 0.004 |
| | 2021 | 49,714 | 0.003 |
| Patrick Firmenich, member | 2022 | 27,275 | 0.002 |
| | 2021 | 0 | 0.000 |
| Reto Francioni, member ² | 2022 | - | |
| | 2021 | 139,609 | 0.009 |
| Fred Hu, member | 2022 | 97,543 | 0.006 |
| | 2021 | 74,481 | 0.005 |
| Mark Hughes, member | 2022 | 48,497 | 0.003 |
| | 2021 | 30,263 | 0.002 |
| Nathalie Rachou, member | 2022 | 31,126 | 0.002 |
| | 2021 | 18,102 | 0.001 |
| Julie G. Richardson, member | 2022 | 138,204 | 0.009 |
| | 2021 | 117,365 | 0.007 |
| Dieter Wemmer, member | 2022 | 132,320 | 0.009 |
| | 2021 | 114,086 | 0.007 |
| Jeanette Wong, member | 2022 | 93,440 | 0.006 |
| | 2021 | 68,452 | 0.004 |
| Total | 2022 | 1,385,516 | 0.090 |
| | 2021 | 1,857,959 | 0.116 |

1 Includes blocked and unblocked shares held by BoD members, including those held by related parties. No options were granted in 2022 and 2021. 2 At the 2022 AGM, Lukas Gähwiler and Colm Kelleher were newly elected and Reto Francioni and Axel A. Weber did not stand for re-election. 3 Includes 203,246 unvested shares granted under variable compensation plans with forfeiture provisions as part of Lukas Gähwiler's compensation for his executive roles previously held at UBS.

Audited I

Total of all blocked and unblocked shares of BoD members¹

| | Total | of which: unblocked | of which: blocked until | | | |
|-----------------------------------|------------------------------|------------------------|-------------------------|----------------|----------------|----------------|
| | | | 2023 | 2024 | 2025 | 2026 |
| Shares on 31 December 2022 | 1,385,516² | 472,981 | 207,155 | 250,165 | 262,671 | 192,544 |
| | | | 2022 | 2023 | 2024 | 2025 |
| Shares on 31 December 2021 | 1,857,959 | 701,594 | 178,603 | 305,947 | 329,875 | 341,940 |

1 Includes shares held by related parties. 2 Includes 203,246 unvested shares granted under variable compensation plans with forfeiture provisions as part of Lukas Gähwiler's compensation for his executive roles previously held at UBS.

Audited I

Loans granted to GEB members¹

Pursuant to article 38 of the Articles of Association (the AoA) of UBS Group AG, GEB members may be granted loans. Such loans are made in the ordinary course of business on substantially the same terms as those granted to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20m per GEB member.

CHF, except where indicated^d

| Name, function | on 31 December | Loans ³ | USD (for reference) Loans ³ |
|--|----------------|--------------------|--|
| Christian Bluhm, Group Chief Risk Officer (highest loan in 2022) | 2022 | 6,927,000 | 7,494,391 |
| Christian Bluhm, Group Chief Risk Officer (highest loan in 2021) | 2021 | 7,059,000 | |
| Aggregate of all GEB members ⁴ | 2022 | 30,752,035 | 33,270,934 |
| | 2021 | 29,635,590 | |

1 No loans have been granted to related parties of the GEB members at conditions not customary in the market. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 All loans granted are secured loans. 4 No unused uncommitted credit facilities in 2022 and 2021.

Loans granted to BoD members¹

Pursuant to article 33 of the AoA of UBS Group AG, loans to independent BoD members are made in the ordinary course of business at general market conditions. The Vice Chairman, given the full-time nature of his role, may be granted loans in the ordinary course of business on substantially the same terms as those granted to employees, including interest rates and collateral. Such loans neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. The total amount of such loans must not exceed CHF 20m per BoD member.

| <i>CHF, except where indicated²</i> | on 31 December | | <i>USD</i> <i>(for reference)</i> |
|--|-----------------------|----------------------------|--------------------------------------|
| | 2022 | Loans^{3,4} | Loans ^{3,4} |
| Aggregate of all BoD members | 0 | 0 | 0 |
| | 2021 | 1,500,000 | |

1 No loans have been granted to related parties of the BoD members at conditions not customary in the market. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 All loans granted are secured loans. 4 No loans in 2022 and CHF 1,500,000 for Reto Francioni in 2021.

**Compensation paid to former BoD and GEB members¹**

| <i>CHF, except where indicated²</i> | For the year | Compensation | Benefits | Total | <i>USD</i> <i>(for reference)</i> |
|--|---------------------|--------------|----------|--------------|--------------------------------------|
| | | | | | Total |
| Former BoD members | 2022 | 0 | 0 | 0 | 0 |
| | 2021 | 0 | 0 | 0 | |
| Aggregate of all former GEB members ³ | 2022 | 0 | 89,657 | 89,657 | 97,001 |
| | 2021 | 0 | 187,876 | 187,876 | |
| Aggregate of all former BoD and GEB members | 2022 | 0 | 89,657 | 89,657 | 97,001 |
| | 2021 | 0 | 187,876 | 187,876 | |

1 Compensation or remuneration that is related to the former members' activity on the BoD or GEB or that is not at market conditions. 2 Swiss franc and US dollar amounts disclosed represent local currency amounts translated at the relevant year-end closing exchange rate. 3 Includes benefit payments in 2022 and 2021 to two former GEB members.

Provisions of the Articles of Association related to compensation

Swiss say-on-pay provisions give shareholders of companies listed in Switzerland significant influence over board and management compensation. At UBS, this is achieved by means of an annual binding say-on-pay vote in accordance with the following provisions of the AoA.

Say on pay

In line with article 43 of the AoA, the General Meeting approves proposals from the BoD in relation to:

- a) the maximum aggregate amount of compensation of the BoD for the period until the next AGM;
- b) the maximum aggregate amount of fixed compensation of the GEB for the following financial year; and
- c) the aggregate amount of variable compensation of the GEB for the preceding financial year.

The BoD may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods. If the General Meeting does not approve a proposal from the BoD, the BoD will determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts and submit the amount(s) so determined for approval by the General Meeting. UBS Group AG or companies controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.

Principles of compensation

In line with articles 45 and 46 of the AoA, compensation of the members of the BoD includes base remuneration and may include other compensation elements and benefits. Compensation of the members of the BoD is intended to recognize the responsibility and governance nature of their role, to attract and retain qualified individuals, and to ensure alignment with shareholders' interests.

Compensation of the members of the GEB includes fixed and variable compensation elements. Fixed compensation includes the base salary and may include other compensation elements and benefits. Variable compensation elements are governed by financial and non-financial performance measures that take into account the performance of UBS Group AG and / or parts thereof, targets in relation to the market, other companies or comparable benchmarks, short- and long-term strategic objectives, and / or individual targets. The BoD or, where delegated to it, the Compensation Committee, determines the respective performance measures, the overall and individual performance targets, and their achievement. The BoD or, where delegated to it, the Compensation Committee, aims to ensure alignment with sustainable performance and appropriate risk-taking through adequate deferrals, forfeiture conditions, caps on compensation, harmful acts provisions and similar means with regard to parts of or all of the compensation. Parts of variable compensation are subject to a multi-year vesting period.

Additional amount for GEB members appointed after the vote on the aggregate amount of compensation by the AGM

In line with article 46 of the AoA of UBS Group AG, if the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of a person that becomes a member of or is being promoted within the GEB after the General Meeting has approved the compensation, UBS Group AG, or companies controlled by it, is authorized to pay or grant each such GEB member a supplementary amount during the compensation period(s) already approved. The aggregate pool for such supplementary amounts per compensation period cannot exceed 40% of the average of total annual compensation paid or granted to the GEB during the previous three years.

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



Ernst & Young Ltd
Aeschengraben 27
P.O. Box
CH-4002 Basel

Phone: +41 58 286 86 86
www.ey.com/ch

To the General Meeting of
UBS Group AG, Zurich

Basel, 3 March 2023

Opinion

We have audited the Compensation Report of UBS Group AG (the Company) for the year ended 31 December 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables marked "audited" of the Compensation Report: Approved fixed compensation, Total compensation for GEB Members, Remuneration details and additional information for BoD members, Loans granted to GEB members, Loans granted to BoD members and Compensation paid to former BoD and GEB members.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the Compensation Report" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables referenced above in the Compensation Report, the consolidated financial statements, the stand-alone financial statements and our auditor's reports thereon.

Our opinion on the Compensation Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Compensation Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Compensation Report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the Compensation Report

The Board of Directors is responsible for the preparation of a Compensation Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of a Compensation Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibilities for the audit of the Compensation Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Compensation Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement in the Compensation Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Maurice McCormick
Licensed audit expert
(Auditor in charge)

Eveline Hunziker
Licensed audit expert

Financial statements

Consolidated financial statements

Table of contents

| | | | |
|-----|---|-----|---|
| 244 | Management's report on internal control over financial reporting | 285 | Balance sheet notes |
| 245 | Report of the independent registered public accounting firm on internal control over financial reporting | 285 | 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement |
| 246 | Report of the independent registered public accounting firm on the consolidated financial statements | 289 | 10 Derivative instruments |
| 251 | UBS Group AG consolidated financial statements | 291 | 11 Property, equipment and software |
| 251 | Primary financial statements and share information | 291 | 12 Goodwill and intangible assets |
| 251 | Income statement | 293 | 13 Other assets |
| 252 | Statement of comprehensive income | 294 | 14 Customer deposits |
| 253 | Balance sheet | 294 | 15 Debt issued designated at fair value |
| 254 | Statement of changes in equity | 295 | 16 Debt issued measured at amortized cost |
| 256 | Share information and earnings per share | 295 | 17 Provisions and contingent liabilities |
| 258 | Statement of cash flows | 302 | 18 Other liabilities |
| 260 | Notes to the UBS Group AG consolidated financial statements | 303 | Additional information |
| 260 | 1 Summary of material accounting policies | 303 | 19 Expected credit loss measurement |
| 277 | 2 Segment reporting | 314 | 20 Fair value measurement |
| 280 | Income statement notes | 328 | 21 Offsetting financial assets and financial liabilities |
| 280 | 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss | 330 | 22 Restricted and transferred financial assets |
| 280 | 4 Net fee and commission income | 332 | 23 Maturity analysis of assets and liabilities |
| 281 | 5 Other income | 335 | 24 Interest rate benchmark reform |
| 281 | 6 Personnel expenses | 337 | 25 Hedge accounting |
| 281 | 7 General and administrative expenses | 340 | 26 Post-employment benefit plans |
| 282 | 8 Income taxes | 347 | 27 Employee benefits: variable compensation |
| | | 350 | 28 Interests in subsidiaries and other entities |
| | | 354 | 29 Changes in organization and acquisitions and disposals of subsidiaries and businesses |
| | | 355 | 30 Related parties |
| | | 356 | 31 Invested assets and net new money |
| | | 357 | 32 Currency translation rates |
| | | 358 | 33 Main differences between IFRS and Swiss GAAP |

| | | | |
|------------|---|------------|---|
| 361 | UBS AG consolidated financial information | 404 | Balance sheet notes |
| 362 | UBS AG consolidated key figures | 404 | 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement |
| 363 | Comparison between UBS Group AG consolidated and UBS AG consolidated | 408 | 10 Derivative instruments |
| 364 | Management's report on internal control over financial reporting | 410 | 11 Property, equipment and software |
| 365 | Report of the independent registered public accounting firm on internal control over financial reporting | 410 | 12 Goodwill and intangible assets |
| 366 | Report of the independent registered public accounting firm on the consolidated financial statements | 412 | 13 Other assets |
| 371 | UBS AG consolidated financial statements | 413 | 14 Customer deposits, and funding from UBS Group AG |
| 371 | Primary financial statements and share information | 413 | 15 Debt issued designated at fair value |
| 371 | Income statement | 414 | 16 Debt issued measured at amortized cost |
| 372 | Statement of comprehensive income | 414 | 17 Provisions and contingent liabilities |
| 373 | Balance sheet | 421 | 18 Other liabilities |
| 374 | Statement of changes in equity | 422 | Additional information |
| 376 | Share information and earnings per share | 422 | 19 Expected credit loss measurement |
| 377 | Statement of cash flows | 433 | 20 Fair value measurement |
| 379 | Notes to the UBS AG consolidated financial statements | 447 | 21 Offsetting financial assets and financial liabilities |
| 379 | 1 Summary of material accounting policies | 449 | 22 Restricted and transferred financial assets |
| 396 | 2 Segment reporting | 451 | 23 Maturity analysis of assets and liabilities |
| 399 | Income statement notes | 454 | 24 Interest rate benchmark reform |
| 399 | 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss | 456 | 25 Hedge accounting |
| 399 | 4 Net fee and commission income | 459 | 26 Post-employment benefit plans |
| 400 | 5 Other income | 467 | 27 Employee benefits: variable compensation |
| 400 | 6 Personnel expenses | 471 | 28 Interests in subsidiaries and other entities |
| 400 | 7 General and administrative expenses | 475 | 29 Changes in organization and acquisitions and disposals of subsidiaries and businesses |
| 401 | 8 Income taxes | 476 | 30 Related parties |
| | | 478 | 31 Invested assets and net new money |
| | | 479 | 32 Currency translation rates |
| | | 479 | 33 Main differences between IFRS and Swiss GAAP |
| | | 482 | 34 Supplemental guarantor information required under SEC regulations |

Management's report on internal control over financial reporting

Management's responsibility for internal control over financial reporting

The Board of Directors and management of UBS Group AG (UBS) are responsible for establishing and maintaining adequate internal control over financial reporting. UBS's internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

UBS's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation and fair presentation of financial statements, and that receipts and expenditures of the company are being made only in accordance with authorizations of UBS management; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's assessment of internal control over financial reporting as of 31 December 2022

UBS management has assessed the effectiveness of UBS's internal control over financial reporting as of 31 December 2022 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 Framework). Based on this assessment, management believes that, as of 31 December 2022, UBS's internal control over financial reporting was effective.

The effectiveness of UBS's internal control over financial reporting as of 31 December 2022 has been audited by Ernst & Young Ltd, UBS's independent registered public accounting firm, as stated in their ***Report of the independent registered public accounting firm on internal control over financial reporting***, which expresses an unqualified opinion on the effectiveness of UBS's internal control over financial reporting as of 31 December 2022.



Ernst & Young Ltd
Aeschengraben 27
P.O. Box
4002 Basel

Phone: +41 58 286 86 86
www.ey.com/ch

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS Group AG

Opinion on Internal Control over Financial Reporting

We have audited UBS Group AG and subsidiaries' internal control over financial reporting as of 31 December 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, UBS Group AG and subsidiaries ("the Group") maintained, in all material respects, effective internal control over financial reporting as of 31 December 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Group as of 31 December 2022 and 2021, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2022, and the related notes and our report dated 3 March 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young Ltd

Ernst & Young Ltd
Basel, 3 March 2023



Ernst & Young Ltd
Aeschengraben 27
P.O. Box
4002 Basel

Phone: +41 58 286 86 86
www.ey.com/ch

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS Group AG

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UBS Group AG and subsidiaries (“the Group”) as of 31 December 2022 and 2021, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2022, and the related notes to the consolidated financial statements, including the information identified as “audited” as described in Note 1 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2022, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group’s internal control over financial reporting as of 31 December 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated 3 March 2022 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Group’s Board of Directors. Our responsibility is to express an opinion on the Group’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of complex or illiquid instruments at fair value

Description of the Matter At 31 December 2022, as explained in Notes 1 and 20 to the consolidated financial statements, the Group held financial assets and liabilities measured at fair value of USD 342,166 million and USD 333,381 million, including financial instruments that did not trade in active markets. These instruments are reported within the following accounts: financial assets and liabilities at fair value held for trading, derivative financial instruments, financial assets at fair value not held for trading, debt issued designated at fair value, and other financial liabilities designated at fair value. In determining the fair value of these financial instruments, the Group used valuation techniques, modelling assumptions, and estimates of unobservable market inputs which required significant management judgment.

Auditing management's judgments and assumptions used in the estimation of the fair value of these instruments was complex due to the highly judgmental nature of valuation techniques, key modelling assumptions and significant unobservable inputs. Auditing the valuation of complex or illiquid instruments at fair value included consideration of any incremental risks arising from the impact of current macroeconomic influences on valuation techniques and inputs, such as geopolitics, inflation, and the ongoing COVID-19 pandemic. The valuation techniques that required especially complex judgement were comprised of discounted cash flow and earnings-based valuation techniques. Highly judgmental modelling assumptions result from a range of different models or model calibrations used by market participants. Valuation inputs which were particularly complex and subjective included those with a limited degree of observability and the associated extrapolation, interpolation or calibration of curves using limited and proxy data points. Examples of such inputs included unobservable credit spreads and bond prices, volatility, and correlation.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over management's financial instruments valuation processes, including controls over market data inputs, model and methodology governance, and valuation adjustments.

We tested the valuation techniques, models and methodologies, and the inputs used in those models, as outlined above, by performing an independent revaluation of certain complex or illiquid financial assets and liabilities with the support of specialists. We used independent models and inputs, and compared inputs to available market data among other procedures. We also independently challenged key judgments in relation to a sample of fair value adjustments.

We also assessed management's disclosures regarding fair value measurement (within Notes 1 and 20 to the consolidated financial statements).

Recognition of deferred tax assets

Description of the Matter At 31 December 2022, the Group's deferred tax assets ("DTA") were USD 9,389 million (see Note 8 to the consolidated financial statements). DTAs are recognized to the extent it is probable that taxable profits will be available, against which, the applicable deductible temporary differences or the carryforward of unused tax losses within the loss carryforward

period can be utilized. There is significant judgment exercised when estimating future taxable income that is not based on the reversal of taxable temporary differences. Management's estimate of future taxable profits is based on its strategic plan that is sensitive to the assumptions made in estimating future taxable income.

Auditing management's assessment of the recognition of the Group's DTAs was complex due to the highly judgmental nature of estimating future taxable profits over the life of underlying tax loss carryforwards. Estimating future profitability is inherently subjective as it is sensitive to future economic, market and other conditions, which are difficult to predict, such as the impact of geopolitics, inflation, interest rates, and the ongoing COVID-19 pandemic. Specifically, some of the more subjective key macroeconomic assumptions used included gross domestic product growth rates, equity market performance, and interest rate expectations.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over DTA valuation, which included the assumptions used in developing the strategic plans and estimating future taxable income.

We assessed the completeness and accuracy of the data used for the estimations of future taxable income. This included recalculating the outputs of models applied to the recognition process for DTAs.

We involved specialists to assist in assessing the key economic assumptions embedded in the strategic plans. We compared key assumptions used to forecast future taxable income to externally available historical and prospective data and assumptions, and assessed the sensitivity of the outcomes using reasonably possible changes in assumptions.

We also assessed management's disclosure regarding recognized and unrecognized deferred tax assets (within Note 8 to the consolidated financial statements).

Expected credit losses

*Description of
the Matter*

At 31 December 2022, the Group's allowances and provisions for expected credit losses ("ECL") were USD 1,091 million. As explained in Notes 1, 9 and 19 to the consolidated financial statements, ECL is recognized for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, fee and lease receivables, financial guarantees and irrevocable loan commitments. ECL is also recognized on the undrawn portion of revolving revocable credit lines, which include the Group's credit card limits and master credit facilities. The allowances and provisions for ECL consists of exposures that are in default which are individually evaluated for impairment (stage 3), as well as losses inherent in the loan portfolio that are not specifically identified (stage 1 and stage 2). Management's ECL estimates represent the difference between contractual cash flows and those the Group expects to receive, discounted at the effective interest rate. The method used to calculate ECL is based on a combination of the following principal factors: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

Auditing management's estimate of the allowances and provisions for ECL was complex due to the highly judgmental nature of forward-looking economic scenarios that form the basis of the ECL calculation, their probability weightings, and the credit risk models used to estimate stage 1 and stage 2 ECL. The geopolitical tensions and macroeconomic developments during 2022, such as the Russian invasion into Ukraine, US/China developments, inflation, including emerging stagflation risks and monetary policy challenges, and continued restrictions in certain locations due to the ongoing COVID-19 pandemic contribute to further uncertainty, and as a consequence additional complexity in estimating ECL. As a result, the ECL estimation requires higher management judgement, specifically within the following two areas: (i) scenario selection, including assumptions about the scenario severity, the possible geopolitical developments and macroeconomic and market developments, and the number of scenarios necessary to sufficiently cover the bandwidth of potential outcomes, as well as related scenario weights and post-model adjustments; and, (ii) credit risk models, since the output from historic data based models may not be indicative of current or future conditions.

Additionally, auditing the measurement of individual ECL for stage 3 was complex due to the high degree of judgment involved in management's process for estimating ECL based on assumptions. These assumptions take into account expected future cash flows from collateral and other credit enhancements or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over the ECL estimate, including management's choice of forward-looking economic scenarios used to measure ECL and the probability weighting assigned to such scenarios. We evaluated management's methodologies and governance controls for developing and monitoring the economic scenarios used and the probability weightings assigned to them, and related post-model adjustment. Supported by specialists, we assessed the key macroeconomic variables used in the forward-looking scenarios, such as real gross domestic product growth, unemployment rate, interest rates and house price indices, and evaluated the modelled correlation and translation of those macroeconomic factors to the ECL estimate. We further assessed the appropriateness of the post-model adjustments by considering management's governance process, assumptions used and sensitivity analysis.

We also obtained an understanding, evaluated the design and tested the operating effectiveness of controls over credit risk models used in the ECL estimate, including controls over the completeness and accuracy of model input data, calculation logic, and output data used in the overall ECL calculation. With the support of specialists, on a sample basis, we performed an evaluation of management's models and tested the model outcomes by inspecting model documentation, reperforming model calculations, and comparing data used as inputs to management's forecast to external sources, among other procedures.

For the measurement of stage 3, we obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's process, including an evaluation of the assumptions used by management regarding the future cash flows from debtors' continuing operations and/or the liquidation of collateral. Supported by specialists in certain areas, we additionally tested collateral valuation, cash flow assumptions and exit strategies by performing inquiries of management, inspecting underlying documents, such as

loan contracts, financial statements, covenants, budgets and business plans, and by re-performing discounted cash flow calculations among other procedures, on a sample basis.

We also assessed management's disclosures regarding financial assets at amortized cost and other positions in scope of expected credit loss measurement (within Notes 1, 9 and 19 to the consolidated financial statements).

Ernst & Young Ltd

Ernst & Young Ltd

We have served as the Group's auditor since 1998.

Basel, Switzerland

3 March 2023

UBS Group AG consolidated financial statements

Primary financial statements and share information

Audited I

Income statement

| USD m | Note | For the year ended | | |
|---|--------|--------------------|---------------|---------------|
| | | 31.12.22 | 31.12.21 | 31.12.20 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3 | 11,782 | 8,533 | 8,810 |
| Interest expense from financial instruments measured at amortized cost | 3 | (6,564) | (3,259) | (4,247) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 3 | 1,403 | 1,431 | 1,299 |
| Net interest income | 3 | 6,621 | 6,705 | 5,862 |
| Other net income from financial instruments measured at fair value through profit or loss | 3 | 7,517 | 5,850 | 6,960 |
| Fee and commission income | 4 | 20,789 | 24,372 | 20,961 |
| Fee and commission expense | 4 | (1,823) | (1,985) | (1,775) |
| Net fee and commission income | 4 | 18,966 | 22,387 | 19,186 |
| Other income | 5 | 1,459 | 452 | 1,076 |
| Total revenues | | 34,563 | 35,393 | 33,084 |
| Credit loss expense / (release) | 19 | 29 | (148) | 694 |
| Personnel expenses | 6 | 17,680 | 18,387 | 17,224 |
| General and administrative expenses | 7 | 5,189 | 5,553 | 4,885 |
| Depreciation, amortization and impairment of non-financial assets | 11, 12 | 2,061 | 2,118 | 2,126 |
| Operating expenses | | 24,930 | 26,058 | 24,235 |
| Operating profit / (loss) before tax | | 9,604 | 9,484 | 8,155 |
| Tax expense / (benefit) | 8 | 1,942 | 1,998 | 1,583 |
| Net profit / (loss) | | 7,661 | 7,486 | 6,572 |
| Net profit / (loss) attributable to non-controlling interests | | 32 | 29 | 15 |
| Net profit / (loss) attributable to shareholders | | 7,630 | 7,457 | 6,557 |
| Earnings per share (USD) | | | | |
| Basic | | 2.34 | 2.14 | 1.83 |
| Diluted | | 2.25 | 2.06 | 1.77 |

Statement of comprehensive income

| USD m | Note | For the year ended | | |
|--|------|----------------------|----------------|--------------|
| | | 31.12.22 | 31.12.21 | 31.12.20 |
| Comprehensive income attributable to shareholders | | | | |
| Net profit / (loss) | | 7,630 | 7,457 | 6,557 |
| Other comprehensive income that may be reclassified to the income statement | | | | |
| Foreign currency translation | | | | |
| Foreign currency translation movements related to net assets of foreign operations, before tax | | (894) | (1,076) | 2,103 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | | 337 | 498 | (936) |
| Foreign currency translation differences on foreign operations reclassified to the income statement | | 32 | (2) | (7) |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | | (4) | 10 | 2 |
| Income tax relating to foreign currency translations, including the effect of net investment hedges | | 4 | 35 | (67) |
| Subtotal foreign currency translation, net of tax | | (525) | (535) | 1,095 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Net unrealized gains / (losses), before tax | | (440) | (203) | 223 |
| Net realized (gains) / losses reclassified to the income statement from equity | | 1 | (9) | (40) |
| Reclassification of financial assets to Other financial assets measured at amortized cost ¹ | | 449 | | |
| Income tax relating to net unrealized gains / (losses) | | (3) | 55 | (48) |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | | 6 | (157) | 136 |
| | 25 | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | | (5,758) | (992) | 2,012 |
| Net (gains) / losses reclassified to the income statement from equity | | (159) | (1,073) | (770) |
| Income tax relating to cash flow hedges | | 1,124 | 390 | (231) |
| Subtotal cash flow hedges, net of tax | | (4,793) ² | (1,675) | 1,011 |
| | 25 | | | |
| Cost of hedging, before tax | | 45 | (32) | (13) |
| Income tax relating to cost of hedging | | 0 | 6 | 0 |
| Subtotal cost of hedging, net of tax | | 45 | (26) | (13) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | | (5,267) | (2,393) | 2,230 |
| Other comprehensive income that will not be reclassified to the income statement | | | | |
| Defined benefit plans | | | | |
| | 26 | | | |
| Gains / (losses) on defined benefit plans, before tax | | (73) | 2 | (327) |
| Income tax relating to defined benefit plans | | 63 | (7) | 109 |
| Subtotal defined benefit plans, net of tax | | (10) | (5) | (218) |
| Own credit on financial liabilities designated at fair value | | | | |
| | 20 | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | | 867 | 46 | (293) |
| Income tax relating to own credit on financial liabilities designated at fair value | | (71) | 0 | 0 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | | 796 | 46 | (293) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | 786 | 42 | (511) |
| Total other comprehensive income | | (4,481) | (2,351) | 1,719 |
| Total comprehensive income attributable to shareholders | | 3,149 | 5,106 | 8,276 |
| Comprehensive income attributable to non-controlling interests | | | | |
| Net profit / (loss) | | 32 | 29 | 15 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | (14) | (16) | 21 |
| Total comprehensive income attributable to non-controlling interests | | 18 | 13 | 36 |
| Total comprehensive income | | | | |
| Net profit / (loss) | | 7,661 | 7,486 | 6,572 |
| Other comprehensive income | | (4,494) | (2,367) | 1,740 |
| <i>of which: other comprehensive income that may be reclassified to the income statement</i> | | <i>(5,267)</i> | <i>(2,393)</i> | <i>2,230</i> |
| <i>of which: other comprehensive income that will not be reclassified to the income statement</i> | | <i>772</i> | <i>26</i> | <i>(490)</i> |
| Total comprehensive income | | 3,167 | 5,119 | 8,312 |

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1b for more information. ² Mainly reflects net unrealized losses on US dollar hedging derivatives resulting from significant increases in the relevant US dollar long-term interest rates.

Balance sheet

| USD m | Note | 31.12.22 | 31.12.21 |
|---|------------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | | 169,445 | 192,817 |
| Loans and advances to banks | 9 | 14,792 | 15,480 |
| Receivables from securities financing transactions measured at amortized cost | 9, 21 | 67,814 | 75,012 |
| Cash collateral receivables on derivative instruments | 9, 21 | 35,032 | 30,514 |
| Loans and advances to customers | 9 | 387,220 | 397,761 |
| Other financial assets measured at amortized cost | 9, 13a | 53,264 | 26,209 |
| Total financial assets measured at amortized cost | | 727,568 | 737,794 |
| Financial assets at fair value held for trading | 20 | 107,866 | 130,821 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | | <i>36,742</i> | <i>43,397</i> |
| Derivative financial instruments | 10, 20, 21 | 150,108 | 118,142 |
| Brokerage receivables | 20 | 17,576 | 21,839 |
| Financial assets at fair value not held for trading | 20 | 59,796 | 60,080 |
| Total financial assets measured at fair value through profit or loss | | 335,347 | 330,882 |
| Financial assets measured at fair value through other comprehensive income | 19, 20 | 2,239 | 8,844 |
| Investments in associates | 28b | 1,101 | 1,243 |
| Property, equipment and software | 11 | 12,288 | 12,888 |
| Goodwill and intangible assets | 12 | 6,267 | 6,378 |
| Deferred tax assets | 8 | 9,389 | 8,876 |
| Other non-financial assets | 13b | 10,166 | 10,277 |
| Total assets | | 1,104,364 | 1,117,182 |
| Liabilities | | | |
| Amounts due to banks | | 11,596 | 13,101 |
| Payables from securities financing transactions measured at amortized cost | 21 | 4,202 | 5,533 |
| Cash collateral payables on derivative instruments | 21 | 36,436 | 31,798 |
| Customer deposits | 14 | 525,051 | 542,007 |
| Debt issued measured at amortized cost | 16 | 114,621 | 139,155 |
| Other financial liabilities measured at amortized cost | 18a | 9,575 | 9,001 |
| Total financial liabilities measured at amortized cost | | 701,481 | 740,595 |
| Financial liabilities at fair value held for trading | 20 | 29,515 | 31,688 |
| Derivative financial instruments | 10, 20, 21 | 154,906 | 121,309 |
| Brokerage payables designated at fair value | 20 | 45,085 | 44,045 |
| Debt issued designated at fair value | 15, 20 | 73,638 | 73,799 |
| Other financial liabilities designated at fair value | 18b, 20 | 30,237 | 30,074 |
| Total financial liabilities measured at fair value through profit or loss | | 333,381 | 300,916 |
| Provisions | 17a | 3,243 | 3,518 |
| Other non-financial liabilities | 18c | 9,040 | 11,151 |
| Total liabilities | | 1,047,146 | 1,056,180 |
| Equity | | | |
| Share capital | | 304 | 322 |
| Share premium | | 13,546 | 15,928 |
| Treasury shares | | (6,874) | (4,675) |
| Retained earnings | | 50,004 | 43,851 |
| Other comprehensive income recognized directly in equity, net of tax | | (103) | 5,236 |
| Equity attributable to shareholders | | 56,876 | 60,662 |
| Equity attributable to non-controlling interests | | 342 | 340 |
| Total equity | | 57,218 | 61,002 |
| Total liabilities and equity | | 1,104,364 | 1,117,182 |

Statement of changes in equity

| <i>USD m</i> | Share capital | Share premium | Treasury shares | Retained earnings |
|---|---------------|----------------------|----------------------|----------------------|
| Balance as of 31 December 2019 | 338 | 18,064 | (3,326) | 34,122 |
| Acquisition of treasury shares | | | (1,584) ² | |
| Delivery of treasury shares under share-based compensation plans | | (628) | 719 | |
| Other disposal of treasury shares | | (11) | 123 ² | |
| Share-based compensation expensed in the income statement | | 691 | | |
| Tax (expense) / benefit | | 18 | | |
| Dividends | | (1,304) ³ | | (1,304) ³ |
| Translation effects recognized directly in retained earnings | | | | (49) |
| Share of changes in retained earnings of associates and joint ventures | | | | (40) |
| New consolidations / (deconsolidations) and other increases / (decreases) ⁴ | | (76) | | |
| Total comprehensive income for the year | | | | 6,046 |
| <i>of which: net profit / (loss)</i> | | | | <i>6,557</i> |
| <i>of which: OCI, net of tax</i> | | | | <i>(511)</i> |
| Balance as of 31 December 2020 | 338 | 16,753 | (4,068) | 38,776 |
| Acquisition of treasury shares | | | (3,521) ² | |
| Delivery of treasury shares under share-based compensation plans | | (675) | 789 | |
| Other disposal of treasury shares | | 7 | 81 ² | |
| Cancellation of treasury shares related to the 2018–2021 share repurchase program | (16) | (236) | 2,044 | (1,792) |
| Share-based compensation expensed in the income statement | | 643 | | |
| Tax (expense) / benefit | | (88) | | |
| Dividends | | (651) ³ | | (651) ³ |
| Equity classified as obligation to purchase own shares | | (7) | | |
| Translation effects recognized directly in retained earnings | | | | 18 |
| Share of changes in retained earnings of associates and joint ventures | | | | 1 |
| New consolidations / (deconsolidations) and other increases / (decreases) ⁵ | | 182 | | |
| Total comprehensive income for the year | | | | 7,499 |
| <i>of which: net profit / (loss)</i> | | | | <i>7,457</i> |
| <i>of which: OCI, net of tax</i> | | | | <i>42</i> |
| Balance as of 31 December 2021 | 322 | 15,928 | (4,675) | 43,851 |
| Acquisition of treasury shares | | | (6,262) ² | |
| Delivery of treasury shares under share-based compensation plans | | (763) | 879 | |
| Other disposal of treasury shares | | (1) | 164 ² | |
| Cancellation of treasury shares related to the 2021 share repurchase program ⁶ | (18) | (1,502) | 3,022 | (1,502) |
| Share-based compensation expensed in the income statement | | 716 | | |
| Tax (expense) / benefit | | 13 | | |
| Dividends | | (834) ³ | | (834) ³ |
| Equity classified as obligation to purchase own shares | | (15) | | |
| Translation effects recognized directly in retained earnings | | | | 69 |
| Share of changes in retained earnings of associates and joint ventures | | | | 0 |
| New consolidations / (deconsolidations) and other increases / (decreases) | | 4 | | 3 |
| Total comprehensive income for the year | | | | 8,415 |
| <i>of which: net profit / (loss)</i> | | | | <i>7,630</i> |
| <i>of which: OCI, net of tax</i> | | | | <i>786</i> |
| Balance as of 31 December 2022 | 304 | 13,546 | (6,874) | 50,004 |

1 Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings. 2 Includes treasury shares acquired and disposed of by the Investment Bank in its capacity as a market-maker with regard to UBS Group AG shares and related derivatives, and to hedge certain issued structured debt instruments. These acquisitions and disposals are reported based on the sum of the net monthly movements. 3 Reflects the payment of an ordinary cash dividend of USD 0.50 (2021: USD 0.37, 2020: USD 0.73) per dividend-bearing share. From 2020 onward, Swiss tax law effective 1 January 2020 requires that Switzerland-domiciled companies with shares listed on a stock exchange pay no more than 50% of dividends from capital contribution reserves, with the remainder required to be paid from retained earnings. 4 Mainly relates to the establishment of a banking partnership with Banco do Brasil. In 2020, UBS issued a 49.99% stake in UBS Brasil Serviços in exchange for exclusive access to Banco do Brasil's corporate clients. Upon completion of the transaction in 2020, equity attributable to non-controlling interests increased by USD 115m, with no material effect on equity attributable to shareholders. 5 Includes the effects related to the launch of UBS's operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc. in 2021. 6 Reflects the cancellation of 177,787,273 shares purchased under UBS's 2021 share repurchase program from its inception in 2021 until 18 February 2022, as approved by shareholders at the 2022 Annual General Meeting. For shares repurchased from 2020 onward, Swiss tax law effective 1 January 2020 requires Switzerland-domiciled companies with shares listed on a Swiss stock exchange to reduce capital contribution reserves by at least 50% of the total capital reduction amount exceeding the nominal value upon cancellation of the shares.

| Other comprehensive income recognized directly in equity, net of tax ¹ | <i>of which: foreign currency translation</i> | <i>of which: financial assets at fair value through OCI</i> | <i>of which: cash flow hedges</i> | Total equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|-----------------------------------|---|---------------------------|---------------|
| 5,303 | 4,028 | 14 | 1,260 | 54,501 | 174 | 54,675 |
| | | | | (1,584) | | (1,584) |
| | | | | 90 | | 90 |
| | | | | 112 | | 112 |
| | | | | 691 | | 691 |
| | | | | 18 | | 18 |
| | | | | (2,607) | (6) | (2,613) |
| 49 | | 0 | 49 | 0 | | 0 |
| | | | | (40) | | (40) |
| 65 | 65 | | | (12) | 115 | 103 |
| 2,230 | 1,095 | 136 | 1,011 | 8,276 | 36 | 8,312 |
| | | | | 6,557 | 15 | 6,572 |
| 2,230 | 1,095 | 136 | 1,011 | 1,719 | 21 | 1,740 |
| 7,647 | 5,188 | 151 | 2,321 | 59,445 | 319 | 59,765 |
| | | | | (3,521) | | (3,521) |
| | | | | 114 | | 114 |
| | | | | 88 | | 88 |
| | | | | 0 | | 0 |
| | | | | 643 | | 643 |
| | | | | (88) | | (88) |
| | | | | (1,301) | (4) | (1,305) |
| | | | | (7) | | (7) |
| (18) | | 0 | (18) | 0 | | 0 |
| | | | | 1 | | 1 |
| | | | | 182 | 12 | 193 |
| (2,393) | (535) | (157) | (1,675) | 5,106 | 13 | 5,119 |
| | | | | 7,457 | 29 | 7,486 |
| (2,393) | (535) | (157) | (1,675) | (2,351) | (16) | (2,367) |
| 5,236 | 4,653 | (7) | 628 | 60,662 | 340 | 61,002 |
| | | | | (6,262) | | (6,262) |
| | | | | 115 | | 115 |
| | | | | 163 | | 163 |
| | | | | 0 | | 0 |
| | | | | 716 | | 716 |
| | | | | 13 | | 13 |
| | | | | (1,668) | (9) | (1,677) |
| | | | | (15) | | (15) |
| (69) | | 0 | (69) | 0 | | 0 |
| | | | | 0 | | 0 |
| (3) | | (3) | | 4 | (7) | (3) |
| (5,267) | (525) | 6 | (4,793) | 3,149 | 18 | 3,167 |
| | | | | 7,630 | 32 | 7,661 |
| (5,267) | (525) | 6 | (4,793) | (4,481) | (14) | (4,494) |
| (103) | 4,128 | (4) | (4,234) | 56,876 | 342 | 57,218 |

Share information and earnings per share

Ordinary share capital

As of 31 December 2022, UBS Group AG had 3,524,635,722 issued shares (31 December 2021: 3,702,422,995 shares) with a nominal value of CHF 0.10 each, leading to a share capital of CHF 352,463,572.20. Shares issued decreased by 177,787,273 shares and share capital decreased by USD 18m in 2022, as the shares acquired under the 2021 share repurchase program from its inception in 2021 until 18 February 2022 were canceled by means of a capital reduction, as approved by shareholders at the 2022 Annual General Meeting (the AGM).

Following revisions to Swiss Corporate Law that are effective from 1 January 2023, the Board of Directors (the BoD) will propose at the 2023 AGM that the shareholders approve the conversion of the share capital currency of UBS Group AG from the Swiss franc to the US dollar. This would align the share capital currency with the financial statement presentation currency of UBS Group AG. If the change is approved, the share capital of UBS Group AG will be slightly reduced to a nominal value per share of USD 0.10 (from CHF 0.10 currently), with the amount of the reduction allocated to the capital contribution reserve (presented as *Share premium* in the consolidated financial statements). Total equity reported for UBS Group AG consolidated will not change.

Conditional share capital

As of 31 December 2022, the following conditional share capital was available to UBS Group AG's BoD.

- A maximum of CHF 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments on national or international capital markets. This conditional capital allowance was approved at the Extraordinary General Meeting (the EGM) held on 26 November 2014, having originally been approved at the AGM of UBS AG on 14 April 2010. The BoD has not made use of such allowance.
- A maximum of CHF 12,170,583 represented by 121,705,830 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued upon exercise of employee options and stock appreciation rights issued to employees and members of the management and of the BoD of UBS Group AG and its subsidiaries. This conditional capital allowance was approved by the shareholders at the same EGM in 2014.

Authorized share capital

UBS Group AG had no authorized capital available to issue on 31 December 2022.

Share repurchase programs

In February 2021, UBS initiated a share repurchase program of up to CHF 4bn. Under this program, UBS repurchased 88m shares in 2022 for a total acquisition cost of USD 1,637m (CHF 1,516m).

The 2021 program was concluded on 29 March 2022 and the 177,787,273 shares repurchased under this program from its inception in 2021 until 18 February 2022 for a total acquisition cost of USD 3,022m (CHF 2,775m) were canceled by means of a capital reduction, as approved by shareholders at the 2022 AGM. UBS intends to cancel the remaining 62,548,000 shares purchased under the 2021 program, subject to shareholder approval at the 2023 AGM.

In March 2022, UBS commenced a new two-year share repurchase program of up to USD 6bn. Under this program, UBS repurchased 234m shares in 2022 for a total acquisition cost of USD 3,944m (CHF 3,808m). UBS also intends to cancel the shares purchased under the 2022 program by means of a capital reduction, pending approval by shareholders at a future AGM.

| | As of or for the year ended | | |
|---|-----------------------------|----------------------------|----------------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Shares outstanding | | | |
| Shares issued | | | |
| Balance at the beginning of the year | 3,702,422,995 | 3,859,055,395 | 3,859,055,395 |
| Shares canceled | (177,787,273) ¹ | (156,632,400) ² | |
| Balance at the end of the year | 3,524,635,722 | 3,702,422,995 | 3,859,055,395 |
| Treasury shares | | | |
| Balance at the beginning of the year | 302,815,328 | 307,477,002 | 243,021,296 |
| Acquisitions | 359,378,093 | 214,270,175 | 128,372,257 |
| Disposals | (67,497,138) | (62,299,449) | (63,916,551) |
| Cancellation of second trading line treasury shares | (177,787,273) ¹ | (156,632,400) ² | |
| Balance at the end of the year | 416,909,010 | 302,815,328 | 307,477,002 |
| Shares outstanding | 3,107,726,712 | 3,399,607,667 | 3,551,578,393 |
| Basic and diluted earnings (USD m) | | | |
| Net profit / (loss) attributable to shareholders for basic EPS | 7,630 | 7,457 | 6,557 |
| Less: (profit) / loss on own equity derivative contracts | 0 | 0 | (1) |
| Net profit / (loss) attributable to shareholders for diluted EPS | 7,630 | 7,457 | 6,556 |
| Weighted average shares outstanding | | | |
| Weighted average shares outstanding for basic EPS ³ | 3,260,938,561 | 3,482,963,682 | 3,583,176,189 |
| Effect of dilutive potential shares resulting from notional employee shares, in-the-money options and warrants outstanding ⁴ | 136,531,654 | 144,277,693 | 123,852,137 |
| Weighted average shares outstanding for diluted EPS | 3,397,470,215 | 3,627,241,375 | 3,707,028,326 |
| Earnings per share (USD) | | | |
| Basic | 2.34 | 2.14 | 1.83 |
| Diluted | 2.25 | 2.06 | 1.77 |
| Potentially dilutive instruments⁵ | | | |
| Employee share-based compensation awards | 4,182,799 | 5,886,945 | 2,536,789 |
| Other equity derivative contracts | 1,690,247 | 6,553,051 | 11,414,728 |
| Total | 5,873,046 | 12,439,996 | 13,951,517 |

¹ Reflects the cancellation of shares purchased under UBS's 2021 share repurchase program as approved by shareholders at the 2022 Annual General Meeting (AGM). ² Reflects the cancellation of shares purchased under UBS's 2018–2021 share repurchase program as approved by shareholders at the 2021 AGM. ³ The weighted average shares outstanding for basic EPS are calculated by taking the number of shares at the beginning of the period, adjusted by the number of shares acquired or issued during the period, multiplied by a time-weighted factor for the period outstanding. As a result, balances are affected by the timing of acquisitions and issuances during the period. ⁴ The weighted average number of shares for notional employee awards with performance conditions reflects all potentially dilutive shares that are expected to vest under the terms of the awards. ⁵ Reflects potential shares that could dilute basic earnings per share in the future, but were not dilutive for the periods presented.

Statement of cash flows

| USD m | For the year ended | | |
|---|--------------------|----------------|----------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Cash flow from / (used in) operating activities | | | |
| Net profit / (loss) | 7,661 | 7,486 | 6,572 |
| Non-cash items included in net profit and other adjustments: | | | |
| Depreciation, amortization and impairment of non-financial assets | 2,061 | 2,118 | 2,126 |
| Credit loss expense / (release) | 29 | (148) | 694 |
| Share of net profits of associates and joint ventures and impairment related to associates | (32) | (105) | (84) |
| Deferred tax expense / (benefit) | 494 | 434 | 352 |
| Net loss / (gain) from investing activities | (1,470) | (230) | (698) |
| Net loss / (gain) from financing activities | (16,587) | 100 | 3,246 |
| Other net adjustments | 5,844 | 3,802 | (8,076) |
| Net change in operating assets and liabilities: | | | |
| Loans and advances to banks and amounts due to banks | (1,088) | 2,148 | 3,586 |
| Securities financing transactions measured at amortized cost | 4,443 | (2,316) | 9,588 |
| Cash collateral on derivative instruments | 76 | (3,312) | (3,487) |
| Loans and advances to customers and customer deposits | (5,163) | 2,365 | 18,149 |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | 8,006 | (10,516) | 11,259 |
| Brokerage receivables and payables | 6,019 | 8,115 | (5,199) |
| Financial assets at fair value not held for trading and other financial assets and liabilities | 5,678 | 19,609 | 320 |
| Provisions and other non-financial assets and liabilities | 257 | 3,010 | (387) |
| Income taxes paid, net of refunds | (1,582) | (1,134) | (1,002) |
| Net cash flow from / (used in) operating activities | 14,647 | 31,425 | 36,958 |
| Cash flow from / (used in) investing activities | | | |
| Purchase of subsidiaries, associates and intangible assets | (3) | (1) | (46) |
| Disposal of subsidiaries, associates and intangible assets | 1,730 ¹ | 593 | 674 |
| Purchase of property, equipment and software | (1,643) | (1,841) | (1,854) |
| Disposal of property, equipment and software | 161 | 295 | 366 |
| Purchase of financial assets measured at fair value through other comprehensive income | (4,783) | (5,802) | (6,290) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 4,084 | 5,052 | 4,530 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (11,993) | (415) | (4,166) |
| Net cash flow from / (used in) investing activities | (12,447) | (2,119) | (6,785) |

Table continues below.

Statement of cash flows (continued)

Table continued from above.

| USD m | For the year ended | | |
|--|--------------------|---------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Cash flow from / (used in) financing activities | | | |
| Net short-term debt issued / (repaid) | (12,249) | (3,093) | 23,845 |
| Net movements in treasury shares and own equity derivative activity | (6,006) | (3,341) | (1,387) |
| Distributions paid on UBS shares | (1,668) | (1,301) | (2,607) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost | 79,115 | 98,272 | 80,255 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost | (67,670) | (79,909) | (87,098) |
| Net cash flows from other financing activities | (617) | (282) | (575) |
| Net cash flow from / (used in) financing activities | (9,094) | 10,345 | 12,432 |

Total cash flow

| | | | |
|--|----------------|----------------|----------------|
| Cash and cash equivalents at the beginning of the year | 207,875 | 173,531 | 119,873 |
| Net cash flow from / (used in) operating, investing and financing activities | (6,895) | 39,651 | 42,605 |
| Effects of exchange rate differences on cash and cash equivalents | (5,659) | (5,307) | 11,052 |
| Cash and cash equivalents at the end of the year² | 195,321 | 207,875 | 173,531 |
| <i>of which: cash and balances at central banks³</i> | <i>169,363</i> | <i>192,706</i> | <i>158,088</i> |
| <i>of which: loans and advances to banks</i> | <i>13,450</i> | <i>13,942</i> | <i>14,028</i> |
| <i>of which: money market paper⁴</i> | <i>12,508</i> | <i>1,227</i> | <i>1,415</i> |

Additional information

Net cash flow from / (used in) operating activities includes:

| | | | |
|--|--------|--------|--------|
| Interest received in cash | 15,718 | 11,163 | 11,915 |
| Interest paid in cash | 8,198 | 4,707 | 6,320 |
| Dividends on equity investments, investment funds and associates received in cash ⁵ | 1,907 | 2,531 | 1,901 |

1 Includes cash proceeds from the sales of: UBS's shareholding in Mitsubishi Corp.-UBS Realty Inc.; UBS's wholly owned subsidiary UBS Swiss Financial Advisers AG; UBS's US alternative investments administration business; and UBS's domestic wealth management business in Spain. Refer to Note 29 for more information. Also includes dividends received from associates. 2 USD 4,253m, USD 3,408m and USD 3,828m of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 December 2022, 31 December 2021 and 31 December 2020, respectively. Refer to Note 22 for more information. 3 Includes only balances with an original maturity of three months or less. 4 Money market paper is included in the balance sheet under Financial assets at fair value held for trading (31 December 2022: USD 2m; 31 December 2021: USD 20m; 31 December 2020: USD 117m), Financial assets measured at fair value through other comprehensive income (31 December 2022: USD 0m; 31 December 2021: USD 0m; 31 December 2020: USD 178m), Financial assets at fair value not held for trading (31 December 2022: USD 6,048m; 31 December 2021: USD 1,066m; 31 December 2020: USD 536m), and Other financial assets measured at amortized cost (31 December 2022: USD 6,459m; 31 December 2021: USD 141m; 31 December 2020: USD 584m). 5 Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

Changes in liabilities arising from financing activities

| USD m | Debt issued measured at amortized cost | | Debt issued designated at fair value | | Over-the-counter debt instruments ³ | Total |
|---|--|---|--|----------------|--|----------------|
| | | <i>of which: short-term¹</i> | <i>of which: long-term²</i> | | | |
| Balance as of 1 January 2021 | 139,232 | 46,666 | 92,566 | 61,243 | 2,060 | 202,535 |
| Cash flows | 5,070 | (3,093) | 8,163 | 10,076 | 124 | 15,270 |
| Non-cash changes | (5,148) | (475) | (4,673) | 2,480 | (56) | (2,724) |
| <i>of which: foreign currency translation</i> | <i>(3,175)</i> | <i>(475)</i> | <i>(2,700)</i> | <i>(1,617)</i> | <i>(65)</i> | <i>(4,857)</i> |
| <i>of which: fair value changes</i> | | | | 4,097 | 9 | 4,106 |
| <i>of which: hedge accounting and other effects</i> | <i>(1,972)</i> | | <i>(1,972)</i> | | | <i>(1,972)</i> |
| Balance as of 31 December 2021 | 139,155 | 43,098 | 96,057 | 73,799 | 2,128 | 215,082 |
| Cash flows | (14,333) | (12,249) | (2,084) | 13,782 | (253) | (804) |
| Non-cash changes | (10,201) | (1,173) | (9,028) | (13,944) | (190) | (24,335) |
| <i>of which: foreign currency translation</i> | <i>(3,526)</i> | <i>(1,173)</i> | <i>(2,353)</i> | <i>(1,394)</i> | <i>(115)</i> | <i>(5,035)</i> |
| <i>of which: fair value changes</i> | | | | (12,550) | (75) | (12,625) |
| <i>of which: hedge accounting and other effects</i> | <i>(6,675)</i> | | <i>(6,675)</i> | | | <i>(6,675)</i> |
| Balance as of 31 December 2022 | 114,621 | 29,676 | 84,945 | 73,638 | 1,684 | 189,943 |

1 Debt with an original contractual maturity of less than one year. 2 Debt with an original maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 3 Included in balance sheet line Other financial liabilities designated at fair value.

Notes to the UBS Group AG consolidated financial statements

Note 1 Summary of material accounting policies

The following table provides an overview of information included in this Note.

| | | | |
|------------|--|------------|---|
| 261 | a) Material accounting policies | 271 | 3) Fee and commission income and expenses |
| 261 | Basis of accounting | 272 | 4) Share-based and other deferred compensation plans |
| 261 | 1) Consolidation | 273 | 5) Post-employment benefit plans |
| 261 | 2) Financial instruments | 273 | 6) Income taxes |
| 261 | a. <i>Recognition</i> | 274 | 7) Property, equipment and software |
| 262 | b. <i>Classification, measurement and presentation</i> | 274 | 8) Goodwill |
| 266 | c. <i>Loan commitments and financial guarantees</i> | 274 | 9) Provisions and contingent liabilities |
| 266 | d. <i>Interest income and expense</i> | 275 | 10) Foreign currency translation |
| 266 | e. <i>Derecognition</i> | 275 | 11) Equity, treasury shares and contracts on UBS Group AG shares |
| 266 | f. <i>Fair value of financial instruments</i> | | |
| 267 | g. <i>Allowances and provisions for expected credit losses</i> | 276 | b) Changes in accounting policies, comparability and other adjustments |
| 270 | h. <i>Restructured and modified financial assets</i> | | |
| 270 | i. <i>Offsetting</i> | | |
| 271 | j. <i>Hedge accounting</i> | 276 | c) International Financial Reporting Standards and Interpretations to be adopted in 2023 and later and other changes |

Note 1 Summary of material accounting policies (continued)

a) Material accounting policies

This Note describes the material accounting policies applied in the preparation of the consolidated financial statements (the Financial Statements) of UBS Group AG and its subsidiaries (UBS or the Group). On 23 February 2023, the Financial Statements were authorized for issue by the Board of Directors (the BoD).

Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars (USD).

Disclosures marked as audited in the "Risk, capital, liquidity and funding, and balance sheet" section of this report form an integral part of the Financial Statements. These disclosures relate to requirements under IFRS 7, *Financial Instruments: Disclosures*, and IAS 1, *Presentation of Financial Statements*, and are not repeated in this section.

The accounting policies described in this Note have been applied consistently in all years presented unless otherwise stated in Note 1b.

Critical accounting estimates and judgments

Preparation of these Financial Statements under IFRS requires management to apply judgment and make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and liabilities, and may involve significant uncertainty at the time they are made. Such estimates and assumptions are based on the best available information. UBS regularly reassesses such estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, updating them as necessary. Changes in those estimates and assumptions may have a significant effect on the Financial Statements. Furthermore, actual results may differ significantly from UBS's estimates, which could result in significant losses to the Group, beyond what was anticipated or provided for.

The following areas contain estimation uncertainty or require critical judgment and have a significant effect on amounts recognized in the Financial Statements:

- expected credit loss measurement (refer to item 2g in this Note and to Note 19);
- fair value measurement (refer to item 2f in this Note and to Note 20);
- income taxes (refer to item 6 in this Note and to Note 8);
- provisions and contingent liabilities (refer to item 9 in this Note and to Note 17);
- post-employment benefit plans (refer to item 5 in this Note and to Note 26);
- goodwill (refer to item 8 in this Note and to Note 12); and
- consolidation of structured entities (refer to item 1 in this Note and to Note 28).

1) Consolidation

The Financial Statements include the financial statements of the parent company (UBS Group AG) and its subsidiaries, presented as a single economic entity; intercompany transactions and balances have been eliminated. UBS consolidates all entities that it controls, including structured entities (SEs), which is the case when it has: (i) power over the relevant activities of the entity; (ii) exposure to an entity's variable returns; and (iii) the ability to use its power to affect its own returns.

Consideration is given to all facts and circumstances to determine whether the Group has power over another entity, i.e., the current ability to direct the relevant activities of an entity when decisions about those activities need to be made.

Subsidiaries, including SEs, are consolidated from the date when control is gained and deconsolidated from the date when control ceases. Control, or the lack thereof, is reassessed if facts and circumstances indicate that there is a change to one or more elements required to establish that control is present.

Business combinations are accounted for using the acquisition method. The amount of any non-controlling interest is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

› Refer to Note 28 for more information

Critical accounting estimates and judgments

Each individual entity is assessed for consolidation in line with the aforementioned consolidation principles. The assessment of control can be complex and requires the use of significant judgment, in particular in determining whether UBS has power over the entity. As the nature and extent of UBS's involvement is unique for each entity, there is no uniform consolidation outcome by entity. Certain entities within a class may be consolidated while others may not. When carrying out the consolidation assessment, judgment is exercised considering all the relevant facts and circumstances, including the nature and activities of the investee, as well as the substance of voting and similar rights.

› Refer to Note 28 for more information

2) Financial instruments

a. Recognition

UBS recognizes financial instruments when it becomes a party to contractual provisions of an instrument. UBS applies settlement date accounting to all standard purchases and sales of non-derivative financial instruments.

Note 1 Summary of material accounting policies (continued)

In transactions where UBS acts as a transferee, to the extent the financial asset transfer does not qualify for derecognition by the transferor, UBS does not recognize the transferred instrument as its asset.

UBS also acts in a fiduciary capacity, which results in it holding or placing assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Unless these items meet the definition of an asset and the recognition criteria are satisfied, they are not recognized on UBS's balance sheet and the related income is excluded from the Financial Statements.

Client cash balances associated with derivatives clearing and execution services are not recognized on the balance sheet if, through contractual agreement, regulation or practice, UBS neither obtains benefits from nor controls such cash balances.

b. Classification, measurement and presentation

Financial assets

Where the contractual terms of a debt instrument result in cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, the debt instrument is classified as measured at amortized cost if it is held within a business model that has an objective of holding financial assets to collect contractual cash flows, or at fair value through other comprehensive income (FVOCI) if it is held within a business model with the objective being achieved by both collecting contractual cash flows and selling financial assets.

All other financial assets are measured at fair value through profit or loss (FVTPL), including those held for trading or those managed on a fair value basis, except for derivatives designated in a hedge relationship, in which case hedge accounting requirements apply (refer to item 2j in this Note for more information).

Business model assessment and contractual cash flow characteristics

UBS determines the nature of a business model by considering the way financial assets are managed to achieve a particular business objective.

In assessing whether contractual cash flows are SPPI, the Group considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument. This assessment includes contractual cash flows that may vary due to environmental, social and governance (ESG) triggers.

Financial liabilities

Financial liabilities measured at amortized cost

Debt issued measured at amortized cost includes contingent capital instruments containing contractual provisions under which the principal amounts would be written down or converted into equity upon either a specified common equity tier 1 (CET1) ratio breach or a determination by the Swiss Financial Market Supervisory Authority (FINMA) that a viability event has occurred. Such contractual provisions are not derivatives, as the underlying is deemed to be a non-financial variable specific to a party to the contract.

If a debt were to be written down or converted into equity in a future period, it would be partially or fully derecognized, with the difference between its carrying amount and the fair value of any equity issued recognized in the income statement.

A gain or loss is recognized in *Other income* when debt issued is subsequently repurchased for market-making or other activities. A subsequent sale of own bonds in the market is treated as a reissuance of debt.

Financial liabilities measured at fair value through profit or loss

UBS designates certain issued debt instruments as financial liabilities at fair value through profit or loss, on the basis that such financial instruments include non-closely-related embedded derivatives that significantly impact the cash flows of the instrument and / or are managed on a fair value basis (refer to the table below for more information). Financial instruments including embedded derivatives arise predominantly from the issuance of certain structured debt instruments.

Measurement and presentation

After initial recognition, UBS classifies, measures and presents its financial assets and liabilities in accordance with IFRS 9, as described in the table below.

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial assets

| Financial assets classification | | Significant items included | Measurement and presentation |
|-----------------------------------|------------------------------------|--|---|
| Measured at amortized cost | | <p>This classification includes:</p> <ul style="list-style-type: none"> – cash and balances at central banks; – loans and advances to banks; – receivables from securities financing transactions; – cash collateral receivables on derivative instruments; – residential and commercial mortgages; – corporate loans; – secured loans, including Lombard loans, and unsecured loans; – loans to financial advisors; and – debt securities held as high-quality liquid assets (HQLA). | <p>Measured at amortized cost using the effective interest method less allowances for expected credit losses (ECL) (refer to items 2d and 2g in this Note for more information).</p> <p>The following items are recognized in the income statement:</p> <ul style="list-style-type: none"> – interest income, which is accounted for in accordance with item 2d in this Note; – ECL and reversals; and – foreign exchange (FX) translation gains and losses. <p>When a financial asset at amortized cost is derecognized, the gain or loss is recognized in the income statement.</p> <p>For amounts arising from settlement of certain derivatives, see below in this table.</p> |
| Measured at FVOCI | Debt instruments measured at FVOCI | <p>This classification primarily includes debt securities and certain asset-backed securities held as HQLA.</p> | <p>Measured at fair value, with unrealized gains and losses reported in <i>Other comprehensive income</i>, net of applicable income taxes, until such investments are derecognized. Upon derecognition, any accumulated balances in <i>Other comprehensive income</i> are reclassified to the income statement and reported within <i>Other income</i>.</p> <p>The following items, which are determined on the same basis as for financial assets measured at amortized cost, are recognized in the income statement:</p> <ul style="list-style-type: none"> – interest income, which is accounted for in accordance with item 2d in this Note; – ECL and reversals; and – FX translation gains and losses. |

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial assets

| Financial assets classification | Significant items included | Measurement and presentation | |
|---------------------------------|---------------------------------------|---|---|
| Measured at FVTPL | Held for trading | <p>Financial assets held for trading include:</p> <ul style="list-style-type: none"> – all derivatives with a positive replacement value, except those that are designated and effective hedging instruments; and – other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included in this category are debt instruments (including those in the form of securities, money market paper, and traded corporate and bank loans) and equity instruments. | <p>Measured at fair value, with changes recognized in the income statement.</p> <p>Derivative assets (including derivatives that are designated and effective hedging instruments) are generally presented as <i>Derivative financial instruments</i>, except those exchange-traded derivatives (ETD) and over-the-counter (OTC)-cleared derivatives that are legally settled on a daily basis or economically net settled on a daily basis, which are presented within <i>Cash collateral receivables on derivative instruments</i>.</p> |
| | Mandatorily measured at FVTPL – Other | <p>This classification includes financial assets mandatorily measured at FVTPL that are not held for trading, as follows:</p> <ul style="list-style-type: none"> – certain structured loans, certain commercial loans, and receivables from securities financing transactions that are managed on a fair value basis; – loans managed on a fair value basis, including those hedged with credit derivatives; – certain debt securities held as HQLA and managed on a fair value basis; – certain investment fund holdings and assets held to hedge delivery obligations related to cash-settled employee compensation plans; – brokerage receivables, for which contractual cash flows do not meet the SPPI criterion because the aggregate balance is accounted for as a single unit of account, with interest being calculated on the individual components; – auction rate securities, for which contractual cash flows do not meet the SPPI criterion because interest may be reset at rates that contain leverage; – equity instruments; and – assets held under unit-linked investment contracts. | <p>Changes in fair value, initial transaction costs, dividends and gains and losses arising on disposal or redemption are recognized in <i>Other net income from financial instruments measured at fair value through profit or loss</i>, except interest income on instruments other than derivatives (refer to item 2d in this Note), interest on derivatives designated as hedging instruments in hedges of interest rate risk and forward points on certain short- and long-duration FX contracts acting as economic hedges, which are reported in <i>Net interest income</i>.</p> <p>Changes in the fair value of derivatives that are designated and effective hedging instruments are presented either in the income statement or <i>Other comprehensive income</i>, depending on the type of hedge relationship (refer to item 2j in this Note for more information).</p> |

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial liabilities

| Financial liabilities classification | Significant items included | Measurement and presentation | |
|--------------------------------------|--|--|---|
| Measured at amortized cost | <p>This classification includes:</p> <ul style="list-style-type: none"> – demand and time deposits; – retail savings / deposits; – sweep deposits; – payables from securities financing transactions; – non-structured debt issued; – subordinated debt; – commercial paper and certificates of deposit; and – cash collateral payables on derivative instruments. | <p>Measured at amortized cost using the effective interest method.</p> <p>When a financial liability at amortized cost is derecognized, the gain or loss is recognized in the income statement.</p> <p>Interest Income generated from client deposits derecognized pursuant to certain deposit sweep programs is presented within <i>Net interest income from financial instruments measured at fair value through profit or loss and other</i>.</p> | |
| Measured at FVTPL | Held for trading | <p>Financial liabilities held for trading include:</p> <ul style="list-style-type: none"> – all derivatives with a negative replacement value (including certain loan commitments), except those that are designated and effective hedging instruments; and – obligations to deliver financial instruments, such as debt and equity instruments, that UBS has sold to third parties but does not own (short positions). | <p>Measurement and presentation of financial liabilities classified at FVTPL follow the same principles as for financial assets classified at FVTPL, except that the amount of change in the fair value of a financial liability designated at FVTPL that is attributable to changes in UBS's own credit risk is presented in <i>Other comprehensive income</i> directly within <i>Retained earnings</i> and is never reclassified to the income statement.</p> |
| | Designated at FVTPL | <p>UBS designates at FVTPL the following financial liabilities:</p> <ul style="list-style-type: none"> – issued hybrid debt instruments that primarily include equity-linked, credit-linked and rates-linked bonds or notes; – issued debt instruments managed on a fair value basis; – certain payables from securities financing transactions; – amounts due under unit-linked investment contracts, the cash flows of which are linked to financial assets measured at FVTPL and eliminate an accounting mismatch; and – brokerage payables, which arise in conjunction with brokerage receivables and are measured at FVTPL to achieve measurement consistency. | <p>Derivative liabilities (including derivatives that are designated and effective hedging instruments) are generally presented as <i>Derivative financial instruments</i>, except those exchange-traded and OTC-cleared derivatives that are legally settled on a daily basis or economically net settled on a daily basis, which are presented within <i>Cash collateral payables on derivative instruments</i>.</p> |

Note 1 Summary of material accounting policies (continued)

c. Loan commitments and financial guarantees

Loan commitments are arrangements to provide credit under defined terms and conditions. Irrevocable loan commitments are classified as: (i) derivative loan commitments measured at fair value through profit or loss; (ii) loan commitments designated at fair value through profit or loss; or (iii) loan commitments not measured at fair value. Financial guarantee contracts are contracts that require UBS to make specified payments to reimburse the holder for an incurred loss because a specified debtor fails to make payments when due in accordance with the terms of a specified debt instrument.

d. Interest income and expense

Interest income and expense are recognized in the income statement based on the effective interest method. When calculating the effective interest rate (the EIR) for financial instruments (other than credit-impaired financial instruments), UBS estimates future cash flows considering all contractual terms of the instrument, but not expected credit losses, with the EIR applied to the gross carrying amount of the financial asset or the amortized cost of a financial liability. However, when a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying the EIR to the amortized cost of the instrument, which represents the gross carrying amount adjusted for any credit loss allowance.

Upfront fees, including fees on loan commitments not measured at fair value where a loan is expected to be issued, and direct costs are included within the initial measurement of a financial instrument measured at amortized cost or FVOCI and recognized over the expected life of the instrument as part of its EIR.

Fees related to loan commitments where no loan is expected to be issued, as well as loan syndication fees where UBS does not retain a portion of the syndicated loan or where UBS does retain a portion of the syndicated loan at the same effective yield for comparable risk as other participants, are included in *Net fee and commission income* and either recognized over the life of the commitment or when syndication occurs.

› Refer to item 3 in this Note for more information

Interest income on financial assets, excluding derivatives, is included in interest income when positive and in interest expense when negative. Similarly, interest expense on financial liabilities, excluding derivatives, is included in interest expense, except when interest rates are negative, in which case it is included in interest income.

› Refer to item 2b in this Note and Note 3 for more information

e. Derecognition

Financial assets

UBS derecognizes a transferred financial asset, or a portion of a financial asset, if the purchaser has received substantially all the risks and rewards of the asset or a significant part of the risks and rewards combined with a practical ability to sell or pledge the asset.

Where financial assets have been pledged as collateral or in similar arrangements, they are considered to have been transferred if the counterparty has received the contractual rights to the cash flows of the pledged assets, as may be evidenced by, for example, the counterparty's right to sell or repledge the assets. In transfers where control over the financial asset is retained, UBS continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset following the transfer.

› Refer to Note 22 for more information

Financial liabilities

UBS derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, canceled or expires. When an existing financial liability is exchanged for a new one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognized and a new liability recognized with any difference in the respective carrying amounts recorded in the income statement.

Certain OTC derivative contracts and most exchange-traded futures and option contracts cleared through central clearing counterparties and exchanges are considered to be settled on a daily basis, as the payment or receipt of variation margin on a daily basis represents legal or economic settlement, which results in derecognition of the associated derivatives.

› Refer to Note 21 for more information

f. Fair value of financial instruments

UBS accounts for a significant portion of its assets and liabilities at fair value. Fair value is the price on the measurement date that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market in the absence of a principal market.

› Refer to Note 20 for more information

Note 1 Summary of material accounting policies (continued)

Critical accounting estimates and judgments

The use of valuation techniques, modeling assumptions and estimates of unobservable market inputs in the fair valuation of financial instruments requires significant judgment and could affect the amount of gain or loss recorded for a particular position. Valuation techniques that rely more heavily on unobservable inputs and sophisticated models inherently require a higher level of judgment and may require adjustment to reflect factors that market participants would consider in estimating fair value, such as close-out costs, which are presented in Note 20d.

UBS's governance framework over fair value measurement is described in Note 20b, and UBS provides a sensitivity analysis of the estimated effects arising from changing significant unobservable inputs in Level 3 financial instruments to reasonably possible alternative assumptions in Note 20f.

› **Refer to Note 20 for more information**

g. Allowances and provisions for expected credit losses

ECL are recognized for financial assets measured at amortized cost, financial assets measured at FVOCI, fee and lease receivables, financial guarantees, and loan commitments not measured at fair value. ECL are also recognized on the undrawn portion of committed unconditionally revocable credit lines, which include UBS's credit card limits and master credit facilities, as UBS is exposed to credit risk because the borrower has the ability to draw down funds before UBS can take credit risk mitigation actions.

Recognition of expected credit losses

ECL are recognized on the following basis.

- Stage 1 instruments: Maximum 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.
- Stage 2 instruments: Lifetime ECL are recognized if a significant increase in credit risk (an SICR) is observed subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. When an SICR is no longer observed, the instrument will move back to stage 1.
- Stage 3 instruments: Lifetime ECL are always recognized for credit-impaired financial instruments, as determined by the occurrence of one or more loss events, by estimating expected cash flows based on a chosen recovery strategy. Credit-impaired exposures may include positions for which no allowance has been recognized, for example because they are expected to be fully recoverable through collateral held.
- Changes in lifetime ECL since initial recognition are also recognized for assets that are purchased or originated credit-impaired (POCI). POCI financial instruments include those that are purchased at a deep discount or newly originated with a defaulted counterparty; they remain a separate category until derecognition.

All or part of a financial asset is written off if it is deemed uncollectible or forgiven. Write-offs reduce the principal amount of a claim and are charged against related allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to *Credit loss expense / (release)*.

ECL are recognized in the income statement in *Credit loss expense / (release)*. A corresponding ECL allowance is reported as a decrease in the carrying amount of financial assets measured at amortized cost on the balance sheet. For financial assets that are measured at FVOCI, the carrying amount is not reduced, but an accumulated amount is recognized in *Other comprehensive income*. For off-balance sheet financial instruments and other credit lines, provisions for ECL are presented in *Provisions*.

Default and credit impairment

UBS applies a single definition of default for credit risk management purposes, regulatory reporting and ECL, with a counterparty classified as defaulted based on quantitative and qualitative criteria.

› **Refer to "Credit policies for distressed assets" in the "Risk management and control" section of this report for more information**

Measurement of expected credit losses

IFRS 9 ECL reflect an unbiased, probability-weighted estimate based on loss expectations resulting from default events. The method used to calculate ECL applies the following principal factors: probability of default (PD), loss given default (LGD) and exposure at default (EAD). Parameters are generally determined on an individual financial asset level. Based on the materiality of the portfolio, for credit card exposures and personal account overdrafts in Switzerland, a portfolio approach is applied that derives an average PD and LGD for the entire portfolio. PDs and LGDs used in the ECL calculation are point-in-time (PIT)-based for key portfolios and consider both current conditions and expected cyclical changes. For material portfolios, PDs and LGDs are determined for different scenarios, whereas EAD projections are treated as scenario independent.

For the purpose of determining the ECL-relevant parameters, UBS leverages its Basel III advanced internal ratings-based (A-IRB) models that are also used in determining expected loss (EL) and risk-weighted assets under the Basel III framework and Pillar 2 stress loss models. Adjustments have been made to these models and IFRS 9-related models have been developed that consider the complexity, structure and risk profile of relevant portfolios and take account of the fact that PDs and LGDs used in the ECL calculation are PIT-based, as opposed to the corresponding Basel III through-the-cycle (TTC) parameters. All models that are relevant for measuring expected credit losses are subject to UBS's model validation and oversight processes.

Note 1 Summary of material accounting policies (continued)

Probability of default: PD represents the probability of a default over a specified time period. A 12-month PD represents the probability of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. PIT PDs are derived from TTC PDs and scenario forecasts. The modeling is region, industry and client segment specific and considers both macroeconomic scenario dependencies and client-idiosyncratic information.

Exposure at default: EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring, considering expected repayments, interest payments and accruals, discounted at the EIR. Future drawdowns on facilities are considered through a credit conversion factor (a CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

Loss given default: LGD represents an estimate of the loss at the time of a potential default occurring, taking into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims. LGD is commonly expressed as a percentage of EAD.

Estimation of expected credit losses

Number of scenarios and estimation of scenario weights

Determination of probability-weighted ECL requires evaluating a range of diverse and relevant future economic conditions, especially with a view to modeling the non-linear effect of assumptions about macroeconomic factors on the estimate.

To accommodate this requirement, UBS uses different economic scenarios in the ECL calculation. Each scenario is represented by a specific scenario narrative, which is relevant considering the exposure of key portfolios to economic risks, and for which a set of consistent macroeconomic variables is determined. The estimation of the appropriate weights for these scenarios is predominantly judgment-based. The assessment is based on a holistic review of the prevailing economic or political conditions, which may exhibit different levels of uncertainty. It takes into account the impact of changes in the nature and severity of the underlying scenario narratives and the projected economic variables.

The determined weights constitute the probabilities that the respective set of macroeconomic conditions will occur and not that the chosen particular narratives with the related macroeconomic variables will materialize.

Macroeconomic and other factors

The range of macroeconomic, market and other factors that is modeled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases, requiring an increase in judgment. For cycle-sensitive PD and LGD determination purposes, UBS projects the relevant economic factors for a period of three years before reverting, over a specified period, to cycle-neutral PD and LGD for longer-term projections.

Factors relevant for ECL calculation vary by type of exposure. Regional and client-segment characteristics are generally taken into account, with specific focus on Switzerland and the US, considering UBS's key ECL-relevant portfolios.

For UBS, the following forward-looking macroeconomic variables represent the most relevant factors for ECL calculation:

- GDP growth rates, given their significant effect on borrowers' performance;
- unemployment rates, given their significant effect on private clients' ability to meet contractual obligations;
- house price indices, given their significant effect on mortgage collateral valuations;
- interest rates, given their significant effect on counterparties' abilities to service debt;
- consumer price indices, given their overall relevance for companies' performance, private clients' purchasing power and economic stability; and
- equity indices, given that they are an important factor in our corporate rating tools.

Scenario generation, review process and governance

A team of economists, which is part of Group Risk Control, develop the forward-looking macroeconomic assumptions with involvement from a broad range of experts.

The scenarios, their weight and the key macroeconomic and other factors are subject to a critical assessment by the IFRS 9 Scenario Sounding Sessions and ECL Management Forum, which include senior management from Group Risk and Group Finance. Important aspects for the review include whether there may be particular credit risk concerns that may not be capable of being addressed systematically and require post-model adjustments for stage allocation and ECL allowance.

The Group Model Governance Committee (the GMGC), as the highest authority under UBS's model governance framework, ratifies the decisions taken by the ECL Management Forum.

› Refer to Note 19 for more information

ECL measurement period

The period for which lifetime ECL are determined is based on the maximum contractual period that UBS is exposed to credit risk, taking into account contractual extension, termination and prepayment options. For irrevocable loan commitments and financial guarantee contracts, the measurement period represents the maximum contractual period for which UBS has an obligation to extend credit.

Note 1 Summary of material accounting policies (continued)

Additionally, some financial instruments include both an on-demand loan and a revocable undrawn commitment, where the contractual cancellation right does not limit UBS's exposure to credit risk to the contractual notice period, as the client has the ability to draw down funds before UBS can take risk-mitigating actions. In such cases UBS is required to estimate the period over which it is exposed to credit risk. This applies to UBS's credit card limits, which do not have a defined contractual maturity date, are callable on demand and where the drawn and undrawn components are managed as one exposure. The exposure arising from UBS's credit card limits is not significant and is managed at a portfolio level, with credit actions triggered when balances are past due. An ECL measurement period of seven years is applied for credit card limits, capped at 12 months for stage 1 balances, as a proxy for the period that UBS is exposed to credit risk.

Customary master credit agreements in the Swiss corporate market also include on-demand loans and revocable undrawn commitments. For smaller commercial facilities, a risk-based monitoring (RbM) approach is in place that highlights negative trends as risk events, at an individual facility level, based on a combination of continuously updated risk indicators. The risk events trigger additional credit reviews by a risk officer, enabling informed credit decisions to be taken. Larger corporate facilities are not subject to RbM, but are reviewed at least annually through a formal credit review. UBS has assessed these credit risk management practices and considers both the RbM approach and formal credit reviews as substantive credit reviews resulting in a re-origination of the given facility. Following this, a 12-month measurement period from the reporting date is used for both types of facilities as an appropriate proxy of the period over which UBS is exposed to credit risk, with 12 months also used as a look-back period for assessing SICR, always from the respective reporting date.

Significant increase in credit risk

Financial instruments subject to ECL are monitored on an ongoing basis. To determine whether the recognition of a maximum 12-month ECL continues to be appropriate, an assessment is made as to whether an SICR has occurred since initial recognition of the financial instrument, applying both quantitative and qualitative factors.

Primarily, UBS assesses changes in an instrument's risk of default on a quantitative basis by comparing the annualized forward-looking and scenario-weighted lifetime PD of an instrument determined at two different dates:

- at the reporting date; and
- at inception of the instrument.

If, based on UBS's quantitative modeling, an increase exceeds a set threshold, an SICR is deemed to have occurred and the instrument is transferred to stage 2 with lifetime ECL recognized.

The threshold applied varies depending on the original credit quality of the borrower, with a higher SICR threshold set for those instruments with a low PD at inception. The SICR assessment based on PD changes is made at an individual financial asset level. A high-level overview of the SICR trigger, which is a multiple of the annualized remaining lifetime PIT PD expressed in rating downgrades, is provided in the "SICR thresholds" table below. The actual SICR thresholds applied are defined on a more granular level by interpolating between the values shown in the table.

SICR thresholds

| Internal rating at origination of the instrument | Rating downgrades / SICR trigger |
|---|---|
| 0-3 | 3 |
| 4-8 | 2 |
| 9-13 | 1 |

› Refer to the "Risk management and control" section of this report for more details about UBS's internal grading system

Irrespective of the SICR assessment based on default probabilities, credit risk is generally deemed to have significantly increased for an instrument if the contractual payments are more than 30 days past due. For certain less material portfolios, specifically the Swiss credit card portfolio, the 30-day past due criterion is used as the primary indicator of an SICR. Where instruments are transferred to stage 2 due to the 30-day past due criterion, a minimum period of six months is applied before a transfer back to stage 1 can be triggered. For instruments in Personal & Corporate Banking and Global Wealth Management Region Switzerland that are between 90 and 180 days past due but have not been reclassified to stage 3, a one-year period is applied before a transfer back to stage 1 can be triggered.

Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for an SICR. Exception management is further applied, allowing for individual and collective adjustments on exposures sharing the same credit risk characteristics to take account of specific situations that are not otherwise fully reflected.

In general, the overall SICR determination process does not apply to Lombard loans, securities financing transactions and certain other asset-based lending transactions, because of the risk management practices adopted, including daily monitoring processes with strict margining. If margin calls are not satisfied, a position is closed out and classified as a stage 3 position. In exceptional cases, an individual adjustment and a transfer into stage 2 may be made to take account of specific facts.

Note 1 Summary of material accounting policies (continued)

Credit risk officers are responsible for the identification of an SICR, which for accounting purposes is in some respects different from internal credit risk management processes. This difference mainly arises because ECL accounting requirements are instrument-specific, such that a borrower can have multiple exposures allocated to different stages, and maturing loans in stage 2 will migrate to stage 1 upon renewal irrespective of the actual credit risk at that time. Under a risk-based approach, a holistic counterparty credit assessment and the absolute level of risk at any given date will determine what risk-mitigating actions may be warranted.

› Refer to the “Risk management and control” section of this report for more information

Critical accounting estimates and judgments

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that can result in significant changes to the timing and amount of ECL recognized.

Determination of a significant increase in credit risk

IFRS 9 does not include a definition of what constitutes an SICR, with UBS's assessment considering qualitative and quantitative criteria. An IFRS 9 ECL Management Forum has been established to review and challenge the SICR results.

Scenarios, scenario weights and macroeconomic variables

ECL reflect an unbiased and probability-weighted amount, which UBS determines by evaluating a range of possible outcomes. Management selects forward-looking scenarios that include relevant macroeconomic variables and management's assumptions around future economic conditions. IFRS 9 Scenario Sounding Sessions, in addition to the IFRS 9 ECL Management Forum, are in place to derive, review and challenge the scenario selection and weights, and to determine whether any additional post-model adjustments are required that may significantly affect ECL.

ECL measurement period

Lifetime ECL are generally determined based upon the contractual maturity of the transaction, which significantly affects ECL. For credit card limits and Swiss callable master credit facilities, judgment is required, as UBS must determine the period over which it is exposed to credit risk. A seven-year period is applied for credit card limits, capped at 12 months for stage 1 positions, and a 12-month period applied for master credit facilities.

Modeling and post-model adjustments

A number of complex models have been developed or modified to calculate ECL, with additional post-model adjustments required which may significantly affect ECL. The models are governed by UBS's model validation controls and approved by the GMGC. The post-model adjustments are approved by the ECL Management Forum and endorsed by the GMGC.

A sensitivity analysis covering key macroeconomic variables, scenario weights and SICR trigger points on ECL measurement is provided in Note 19f.

› Refer to Note 19 for more information

h. Restructured and modified financial assets

When payment default is expected, or where default has already occurred, UBS may grant concessions to borrowers in financial difficulties that it would not consider in the normal course of its business, such as preferential interest rates, extension of maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc.

› Refer to the “Risk management and control” section of this report for more information

Modifications result in an alteration of future contractual cash flows and can occur within UBS's normal risk tolerance or as part of a credit restructuring where a counterparty is in financial difficulties. The restructuring or modification of a financial asset could lead to a substantial change in the terms and conditions, resulting in the original financial asset being derecognized and a new financial asset being recognized. Where the modification does not result in a derecognition, any difference between the modified contractual cash flows discounted at the original EIR and the existing gross carrying amount of the given financial asset is recognized in the income statement as a modification gain or loss.

i. Offsetting

UBS presents financial assets and liabilities on its balance sheet net if (i) it has a legally enforceable right to set off the recognized amounts and (ii) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Netted positions include, for example, certain derivatives and repurchase and reverse repurchase transactions with various counterparties, exchanges and clearing houses.

In assessing whether UBS intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously, emphasis is placed on the effectiveness of operational settlement mechanics in eliminating substantially all credit and liquidity exposure between the counterparties. This condition precludes offsetting on the balance sheet for substantial amounts of UBS's financial assets and liabilities, even though they may be subject to enforceable netting arrangements. Repurchase arrangements and securities financing transactions are presented net only to the extent that the settlement mechanism eliminates, or results in insignificant, credit and liquidity risk, and processes the receivables and payables in a single settlement process or cycle.

› Refer to Note 21 for more information

Note 1 Summary of material accounting policies (continued)

j. Hedge accounting

The Group applies hedge accounting requirements of IFRS 9 where the criteria for documentation and hedge effectiveness are met. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Voluntary discontinuation of hedge accounting is not permitted under IFRS 9.

Fair value hedges of interest rate risk related to debt instruments and loan assets

The fair value change of the hedged item attributable to a hedged risk is reflected as an adjustment to the carrying amount of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument.

Fair value hedges of FX risk related to debt instruments

The fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument. The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the designation and accounted for as a cost of hedging with amounts deferred in *Other comprehensive income* within *Equity*. These amounts are released to the income statement over the term of the hedged item.

Discontinuation of fair value hedges

Discontinuations for reasons other than derecognition of the hedged item result in an adjustment to the carrying amount, which is amortized to the income statement over the remaining life of the hedged item using the effective interest method. If the hedged item is derecognized, the unamortized fair value adjustment or deferred cost of hedging amount is recognized immediately in the income statement as part of any derecognition gain or loss.

Cash flow hedges of forecast transactions

Fair value gains or losses associated with the effective portion of derivatives designated as cash flow hedges for cash flow repricing risk are recognized initially in *Other comprehensive income* within *Equity* and reclassified to *Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income* or *Interest expense from financial instruments measured at amortized cost* in the periods when the hedged forecast cash flows affect profit or loss, including discontinued hedges for which forecast cash flows are expected to occur. If the forecast transactions are no longer expected to occur, the deferred gains or losses are immediately reclassified to the income statement.

Hedges of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of a hedge are recognized directly in *Other comprehensive income* within *Equity*, while any gains or losses relating to the ineffective and / or undesignated portion (for example, the interest element of a forward contract) are recognized in the income statement. Upon disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized in *Equity* associated with the entity is reclassified to *Other income*.

Interest Rate Benchmark Reform

UBS continues hedge accounting during the period of uncertainty before existing interest rate benchmarks are replaced with alternative risk-free interest rates. During this period, UBS assumes that the current benchmark rates will continue to exist, such that forecast transactions are considered highly probable and hedge relationships remain, with little or no consequential impact on the financial statements. Upon replacement of existing interest rate benchmarks by alternative risk-free interest rates, UBS applies the requirements of *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2)*, where applicable.

› Refer to Note 25 for more information

3) Fee and commission income and expenses

UBS earns fee income from the diverse range of services it provides to its clients. Fee income can be divided into two broad categories: fees earned from services that are provided over a certain period of time, such as management of clients' assets, custody services and certain advisory services; and fees earned from point-in-time services, such as underwriting fees, deal-contingent merger and acquisitions fees, and brokerage fees (e.g., securities and derivatives execution and clearing). UBS recognizes fees earned from PIT services when it has fully provided the service to the client. Where the contract requires services to be provided over time, income is recognized on a systematic basis over the life of the agreement.

Consideration received is allocated to the separately identifiable performance obligations in a contract. Owing to the nature of UBS's business, contracts that include multiple performance obligations are typically those that are considered to include a series of similar performance obligations fulfilled over time with the same pattern of transfer to the client, e.g., management of client assets and custodial services. As a consequence, UBS is not required to apply significant judgment in allocating the consideration received across the various performance obligations.

Note 1 Summary of material accounting policies (continued)

PIT services are generally for a fixed price or dependent on deal size, e.g., a fixed number of basis points of trade size, where the amount of revenue is known when the performance obligation is met. Fixed-over-time fees are recognized on a straight-line basis over the performance period. Custodial and asset management fees can be variable through reference to the size of the customer portfolio. However, they are generally billed on a monthly or quarterly basis once the customer's portfolio size is known or known with near certainty and therefore also recognized ratably over the performance period. UBS does not recognize performance fees related to management of clients' assets or fees related to contingencies beyond UBS's control until such uncertainties are resolved.

UBS's fees are generally earned from short-term contracts. As a result, UBS's contracts do not include a financing component or result in the recognition of significant receivables or prepayment assets. Furthermore, due to the short-term nature of such contracts, UBS has not capitalized any material costs to obtain or fulfill a contract or generated any significant contract assets or liabilities.

UBS presents expenses primarily in line with their nature in the income statement, differentiating between expenses that are directly attributable to the satisfaction of specific performance obligations associated with the generation of revenues, which are generally presented within *Total revenues* as *Fee and commission expense*, and those that are related to personnel, general and administrative expenses, which are presented within *Operating expenses*. For derivatives execution and clearing services (where UBS acts as an agent), UBS only records its specific fees in the income statement, with fees payable to other parties not recognized as an expense but instead directly offset against the associated income collected from the given client.

› Refer to Note 4 for more information, including the disaggregation of revenues

4) Share-based and other deferred compensation plans

UBS recognizes expenses for deferred compensation awards over the period that the employee is required to provide service to become entitled to the award. Where the service period is shortened, for example in the case of employees affected by restructuring programs or mutually agreed termination provisions, recognition of such expense is accelerated to the termination date. Where no future service is required, such as for employees who are eligible for retirement or who have met certain age and length-of-service criteria, the services are presumed to have been received and compensation expense is recognized over the performance year or, in the case of off-cycle awards, immediately on the grant date.

Share-based compensation plans

Share-based compensation expense is measured by reference to the fair value of the equity instruments on the date of grant, taking into account the terms and conditions inherent in the award, including, where relevant, dividend rights, transfer restrictions in effect beyond the vesting date, market conditions, and non-vesting conditions.

For equity-settled awards, fair value is not remeasured unless the terms of the award are modified such that there is an incremental increase in value. Expenses are recognized, on a per-tranche basis, over the service period based on an estimate of the number of instruments expected to vest and are adjusted to reflect the actual outcomes of service or performance conditions.

For equity-settled awards, forfeiture events resulting from a breach of a non-vesting condition (i.e., one that does not relate to a service or performance condition) do not result in any adjustment to the share-based compensation expense.

For cash-settled share-based awards, fair value is remeasured at each reporting date, so that the cumulative expense recognized equals the cash distributed.

Other deferred compensation plans

Compensation expense for other deferred compensation plans is recognized on a per-tranche or straight-line basis, depending on the nature of the plan. The amount recognized is measured based on the present value of the amount expected to be paid under the plan and is remeasured at each reporting date, so that the cumulative expense recognized equals the cash or the fair value of respective financial instruments distributed.

› Refer to Note 27 for more information

Note 1 Summary of material accounting policies (continued)

5) Post-employment benefit plans

Defined benefit plans

Defined benefit plans specify an amount of benefit that an employee will receive, which usually depends on one or more factors, such as age, years of service and compensation. The defined benefit liability recognized in the balance sheet is the present value of the defined benefit obligation, measured using the projected unit credit method, less the fair value of the plan's assets at the balance sheet date, with changes resulting from remeasurements recorded immediately in *Other comprehensive income*. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Calculation of the net defined benefit obligation or asset takes into account the specific features of each plan, including risk sharing between employee and employer, and is calculated periodically by independent qualified actuaries.

Critical accounting estimates and judgments

The net defined benefit liability or asset at the balance sheet date and the related personnel expense depend on the expected future benefits to be provided, determined using a number of economic and demographic assumptions. A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit liability or asset and pension expense recognized. The most significant assumptions include life expectancy, discount rate, expected salary increases, pension increases and interest credits on retirement savings account balances. Sensitivity analysis for reasonable possible movements in each significant assumption for UBS's post-employment obligations is provided in Note 26.

› Refer to Note 26 for more information

Defined contribution plans

A defined contribution plan pays fixed contributions into a separate entity from which post-employment and other benefits are paid. UBS has no legal or constructive obligation to pay further amounts if the plan does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. Compensation expense is recognized when the employees have rendered services in exchange for contributions. This is generally in the year of contribution. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

6) Income taxes

UBS is subject to the income tax laws of Switzerland and those of the non-Swiss jurisdictions in which UBS has business operations.

The Group's provision for income taxes is composed of current and deferred taxes. Current income taxes represent taxes to be paid or refunded for the current period or previous periods.

Deferred tax assets (DTAs) and deferred tax liabilities (DTLs) are recognized for temporary differences between the carrying amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively in future periods. DTAs may also arise from other sources, including unused tax losses and unused tax credits. DTAs and DTLs are measured using the applicable tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and that will be in effect when such differences are expected to reverse.

DTAs are recognized only to the extent it is probable that sufficient taxable profits will be available against which these differences can be used. When an entity or tax group has a history of recent losses, DTAs are only recognized to the extent there are sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized.

Deferred and current tax assets and liabilities are offset when: (i) they arise in the same tax reporting group; (ii) they relate to the same tax authority; (iii) the legal right to offset exists; and (iv) with respect to current taxes they are intended to be settled net or realized simultaneously.

Current and deferred taxes are recognized as income tax benefit or expense in the income statement, except for current and deferred taxes recognized in relation to: (i) the acquisition of a subsidiary (for which such amounts would affect the amount of goodwill arising from the acquisition); (ii) gains and losses on the sale of treasury shares (for which the tax effects are recognized directly in *Equity*); (iii) unrealized gains or losses on financial instruments that are classified at FVOCI; (iv) changes in fair value of derivative instruments designated as cash flow hedges; (v) remeasurements of defined benefit plans; or (vi) certain foreign currency translations of foreign operations. Amounts relating to points (iii) through (vi) above are recognized in *Other comprehensive income* within *Equity*.

UBS reflects the potential effect of uncertain tax positions for which acceptance by the relevant tax authority is not considered probable by adjusting current or deferred taxes, as applicable, using either the most likely amount or expected value methods, depending on which method is deemed a better predictor of the basis on which, and extent to which, the uncertainty will be resolved.

Note 1 Summary of material accounting policies (continued)

Critical accounting estimates and judgments

Tax laws are complex, and judgment and interpretations about the application of such laws are required when accounting for income taxes. UBS considers the performance of its businesses and the accuracy of historical forecasts and other factors when evaluating the recoverability of its DTAs, including the remaining tax loss carry-forward period, and its assessment of expected future taxable profits in the forecast period used for recognizing DTAs. Estimating future profitability and business plan forecasts is inherently subjective and is particularly sensitive to future economic, market and other conditions.

Forecasts are reviewed annually, but adjustments may be made at other times, if required. If recent losses have been incurred, convincing evidence is required to prove there is sufficient future profitability given that the value of UBS's DTAs may be affected, with effects primarily recognized through the income statement.

In addition, judgment is required to assess the expected value of uncertain tax positions and the related probabilities, including interpretation of tax laws, the resolution of any income tax-related appeals and litigation.

› Refer to Note 8 for more information

7) Property, equipment and software

Property, equipment and software is measured at cost less accumulated depreciation and impairment losses. Software development costs are capitalized only when the costs can be measured reliably and it is probable that future economic benefits will arise. Depreciation of property, equipment and software begins when they are available for use and is calculated on a straight line basis over an asset's estimated useful life.

Property, equipment and software are generally tested for impairment at the appropriate cash-generating unit level, alongside goodwill and intangible assets as described in item 8 in this Note. An impairment charge is recognized for such assets if the recoverable amount is below its carrying amount. The recoverable amounts of such assets, other than property that has a market price, are generally determined using a replacement cost approach that reflects the amount that would be currently required by a market participant to replace the service capacity of the asset. If such assets are no longer used, they are tested individually for impairment.

› Refer to Note 11 for more information

8) Goodwill

Goodwill represents the excess of the consideration over the fair value of identifiable assets, liabilities and contingent liabilities acquired that arises in a business combination. Goodwill is not amortized, but is assessed for impairment at the end of each reporting period, or when indicators of impairment exist. UBS tests goodwill for impairment annually, irrespective of whether there is any indication of impairment.

An impairment charge is recognized in the income statement if the carrying amount exceeds the recoverable amount of a cash-generating unit.

Critical accounting estimates and judgments

UBS's methodology for goodwill impairment testing is based on a model that is most sensitive to the following key assumptions: (i) forecasts of earnings available to shareholders in years one to three; (ii) changes in the discount rates; and (iii) changes in the long-term growth rate.

Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the BoD. The discount rates and growth rates are determined using external information, and also considering inputs from both internal and external analysts and the view of management.

The key assumptions used to determine the recoverable amounts of each cash-generating unit are tested for sensitivity by applying reasonably possible changes to those assumptions.

› Refer to Notes 2 and 12 for more information

9) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount, and are generally recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, when: (i) UBS has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made.

The majority of UBS's provisions relate to litigation, regulatory and similar matters, restructuring, and employee benefits. Restructuring provisions are generally recognized as a consequence of management agreeing to materially change the scope of the business or the manner in which it is conducted, including changes in management structures. Provisions for employee benefits relate mainly to service anniversaries and sabbatical leave, and are recognized in accordance with measurement principles set out in item 4 in this Note. In addition, UBS presents expected credit loss allowances within *Provisions* if they relate to a loan commitment, financial guarantee contract or a revolving revocable credit line.

IAS 37 provisions are measured considering the best estimate of the consideration required to settle the present obligation at the balance sheet date.

When conditions required to recognize a provision are not met, a contingent liability is disclosed, unless the likelihood of an outflow of resources is remote. Contingent liabilities are also disclosed for possible obligations that arise from past events, the existence of which will be confirmed only by uncertain future events not wholly within the control of UBS.

Note 1 Summary of material accounting policies (continued)

Critical accounting estimates and judgments

Recognition of provisions often involves significant judgment in assessing the existence of an obligation that results from past events and in estimating the probability, timing and amount of any outflows of resources. This is particularly the case for litigation, regulatory and similar matters, which, due to their nature, are subject to many uncertainties, making their outcome difficult to predict.

The amount of any provision recognized is sensitive to the assumptions used and there could be a wide range of possible outcomes for any particular matter.

Management regularly reviews all the available information regarding such matters, including legal advice, to assess whether the recognition criteria for provisions have been satisfied and to determine the timing and amount of any potential outflows.

› Refer to Note 17 for more information

10) Foreign currency translation

Transactions denominated in a foreign currency are translated into the functional currency of the reporting entity at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets, including those at FVOCI, and monetary liabilities denominated in foreign currency are translated into the functional currency using the closing exchange rate. Translation differences are reported in *Other net income from financial instruments measured at fair value through profit or loss*.

Non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction.

Upon consolidation, assets and liabilities of foreign operations are translated into US dollars, UBS's presentation currency, at the closing exchange rate on the balance sheet date, and income and expense items and other comprehensive income are translated at the average rate for the period. The resulting foreign currency translation differences are recognized in *Equity* and reclassified to the income statement when UBS disposes of, partially or in its entirety, the foreign operation and UBS no longer controls the foreign operation.

Share capital issued, share premium and treasury shares held are translated at the historic average rate, with the difference between the historic average rate and the spot rate realized upon repayment of share capital or disposal of treasury shares reported as *Share premium*. Cumulative amounts recognized in *Other comprehensive income* in respect of cash flow hedges and financial assets measured at FVOCI are translated at the closing exchange rate as of the balance sheet dates, with any translation effects adjusted through *Retained earnings*.

› Refer to Note 32 for more information

11) Equity, treasury shares and contracts on UBS Group AG shares

Proceeds from the issuance of shares are recognized in *Share capital* for the nominal value, with the balance presented in *Share premium*.

UBS Group AG shares held (treasury shares)

UBS Group AG shares held by the Group, including those purchased as part of market-making activities, are presented in *Equity* as *Treasury shares* at their acquisition cost and are deducted from *Equity* until they are canceled or reissued. The difference between the proceeds from sales of treasury shares and their weighted average cost (net of tax, if any) is reported as *Share premium*.

Contracts on UBS Group AG shares

Contracts involving UBS Group AG shares that require net cash settlement, or provide the counterparty or UBS with a settlement option that includes a choice of settling net in cash, are classified as derivatives held for trading.

Note 1 Summary of material accounting policies (continued)

b) Changes in accounting policies, comparability and other adjustments

Changes to the presentation of the financial statements

During 2022, UBS made several changes to simplify the presentation of the income statement alongside other primary financial statements and disclosure notes, and to align them with management information. In particular, *Total operating income* has been renamed *Total revenues* and excludes *Credit loss expense / (release)*, which is now separately presented below *Total revenues*.

Reclassification of a portfolio from *Financial assets measured at fair value through other comprehensive income* to *Other financial assets measured at amortized cost*

Effective from 1 April 2022, UBS has reclassified a portfolio of financial assets from *Financial assets measured at fair value through other comprehensive income* with a fair value of USD 6.9bn (the Portfolio) to *Other financial assets measured at amortized cost*, in line with the principles in IFRS 9, *Financial Instruments*, which require a reclassification when an entity changes its business model for managing financial assets.

The Portfolio's cumulative fair value losses of USD 449m pre-tax and USD 333m post-tax, previously recognized in *Other comprehensive income*, have been removed from equity and adjusted against the value of the assets on the reclassification date, so that the Portfolio is measured as if the assets had always been classified at amortized cost, with a value of USD 7.4bn as on 1 April 2022. The reclassification had no effect on the income statement.

The reclassified Portfolio is made up of high-quality liquid assets, primarily US government treasuries and US government agency mortgage-backed securities, held and separately managed by UBS Bank USA (BUSA).

The accounting reclassification has arisen as a direct result of the transformation of UBS's Global Wealth Management Americas business, which has significantly impacted BUSA. This includes initiatives approved by the Group Executive Board to significantly grow and extend the business, as disclosed on 1 February 2022 during UBS's fourth quarter 2021 earnings presentation. Over the two years preceding the reclassification date, BUSA's deposit base grew by more than 100% generating substantial cash balances, with a number of new products being launched, including new deposit types that are longer in duration, additional lending and a broader range of customer segments targeted.

Following the commencement of these activities and the announcement made in the first quarter of 2022, the Portfolio is no longer held in a business model to collect the contractual cash flows and sell the assets, but is instead solely held to collect the contractual cash flows until the assets mature, requiring a reclassification of the Portfolio in line with IFRS 9 with effect from 1 April 2022.

The fair value of the Portfolio as on 31 December 2022 was USD 5.8bn. A pre-tax fair value loss of USD 981m would have been recognized in *Other comprehensive income* during 2022 if the Portfolio had not been reclassified.

- › Refer to the Statement of changes in equity and Note 20 for more information about the effects from the reclassification of the Portfolio

Accounting for obligations to safeguard crypto-assets an entity holds for platform users (SAB 121)

In March 2022, the US Security and Exchange Commission (the SEC) issued Staff Accounting Bulletin (SAB) 121, "Accounting for obligations to safeguard crypto-assets an entity holds for platform users." SAB 121 adds interpretive guidance requiring SEC registrants, including foreign private issuers that apply IFRS, to recognize a liability on their balance sheets to reflect the obligation to safeguard any digital asset that is issued or transferred using distributed ledger or blockchain technology and held for their platform users, along with a corresponding asset. The guidance is effective for UBS for annual reporting from 2022 onwards. Amounts that would be recognized as liabilities, with corresponding assets, under this guidance are not material to UBS.

c) International Financial Reporting Standards and Interpretations to be adopted in 2023 and later and other changes

IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. IFRS 17 is effective from 1 January 2023. Adoption on 1 January 2023 will have no effect on the Group's financial statements. UBS does not provide insurance services in any market.

Other amendments to IFRS

The IASB has issued a number of minor amendments to IFRS, effective from 1 January 2023 and in later years. These amendments are not expected to have a significant effect on the Group when they are adopted.

Note 2a Segment reporting

UBS's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. All four business divisions are supported by Group Functions and qualify as reportable segments for the purpose of segment reporting. Together with Group Functions, the four business divisions reflect the management structure of the Group.

- **Global Wealth Management** provides financial services, advice and solutions to private wealth clients. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management and banking products and services.
- **Personal & Corporate Banking** serves its private, corporate, and institutional clients' needs, from banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.
- **Asset Management** is a global, large-scale and diversified asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and wealth management clients.
- The **Investment Bank** provides a range of services to institutional, corporate and wealth management clients globally, to help them raise capital, grow their businesses, invest and manage risks. Its offering includes research, advisory services, facilitating clients raising debt and equity from the public and private markets and capital markets, cash and derivatives trading across equities and fixed income, and financing.
- **Group Functions** is made up of the following major areas: Group Services (which consists of Chief Digital and Information Office, Communications & Branding, Compliance, Finance, Group Sustainability and Impact, Human Resources, Group Legal, Regulatory & Governance, and Risk Control), Group Treasury and Non-core and Legacy Portfolio.

Financial information about the four business divisions and Group Functions is presented separately in internal management reports to the Group Executive Board (the GEB), which is considered the "chief operating decision maker" pursuant to IFRS 8, *Operating Segments*.

UBS's internal accounting policies, which include management accounting policies and service level agreements, determine the revenues and expenses directly attributable to each reportable segment. Transactions between the reportable segments are carried out at internally agreed rates and are reflected in the operating results of the reportable segments. Revenue-sharing agreements are used to allocate external client revenues to reportable segments where several reportable segments are involved in the value creation chain. Total intersegment revenues for the Group are immaterial, as the majority of the revenues are allocated across the segments by means of revenue-sharing agreements. Interest income earned from managing UBS's consolidated equity is allocated to the reportable segments based on average attributed equity and currency composition. Assets and liabilities of the reportable segments are funded through and invested with Group Functions, and the net interest margin is reflected in the results of each reportable segment.

Segment assets are based on a third-party view and do not include intercompany balances. This view is in line with internal reporting to the GEB. If one operating segment is involved in an external transaction together with another operating segment or Group Functions, additional criteria are considered to determine the segment that will report the associated assets. This will include a consideration of which segment's business needs are being addressed by the transaction and which segment is providing the funding and / or resources. Allocation of liabilities follows the same principles.

Non-current assets disclosed for segment reporting purposes represent assets that are expected to be recovered more than 12 months after the reporting date, excluding financial instruments, deferred tax assets and post-employment benefits.

Note 2a Segment reporting (continued)

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS |
|---|--------------------------|------------------------------|--------------------|-----------------|-----------------|--------------|
| For the year ended 31 December 2022 | | | | | | |
| Net interest income | 5,273 | 2,191 | (19) | (242) | (584) | 6,621 |
| Non-interest income | 13,694 | 2,111 | 2,980 ¹ | 8,958 | 199 | 27,942 |
| Total revenues | 18,967 | 4,302 | 2,961 | 8,717 | (385) | 34,563 |
| Credit loss expense / (release) | 0 | 39 | 0 | (12) | 3 | 29 |
| Operating expenses | 13,989 | 2,452 | 1,564 | 6,832 | 92 | 24,930 |
| Operating profit / (loss) before tax | 4,977 | 1,812 | 1,397 | 1,897 | (480) | 9,604 |
| Tax expense / (benefit) | | | | | | 1,942 |
| Net profit / (loss) | | | | | | 7,661 |
| Additional information | | | | | | |
| Total assets | 388,530 | 235,226 | 17,348 | 391,320 | 71,940 | 1,104,364 |
| Additions to non-current assets | 42 | 13 | 1 | 34 | 1,970 | 2,060 |
| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS |
| For the year ended 31 December 2021 | | | | | | |
| Net interest income | 4,244 | 2,120 | (15) | 481 | (127) | 6,705 |
| Non-interest income | 15,175 | 2,143 | 2,632 | 8,972 | (233) | 28,689 |
| Total revenues | 19,419 | 4,263 | 2,617 | 9,454 | (359) | 35,393 |
| Credit loss expense / (release) | (29) | (86) | 1 | (34) | 0 | (148) |
| Operating expenses | 14,665 | 2,618 | 1,586 | 6,858 | 330 | 26,058 |
| Operating profit / (loss) before tax | 4,783 | 1,731 | 1,030 | 2,630 | (689) | 9,484 |
| Tax expense / (benefit) | | | | | | 1,998 |
| Net profit / (loss) | | | | | | 7,486 |
| Additional information | | | | | | |
| Total assets ² | 395,235 | 225,370 | 25,639 | 346,431 | 124,507 | 1,117,182 |
| Additions to non-current assets | 56 | 16 | 1 | 30 | 1,989 | 2,091 |
| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS |
| For the year ended 31 December 2020 | | | | | | |
| Net interest income | 4,027 | 2,049 | (17) | 284 | (481) | 5,862 |
| Non-interest income ³ | 13,107 | 1,858 | 2,993 | 9,235 | 30 | 27,222 |
| Total revenues | 17,134 | 3,908 | 2,975 | 9,519 | (452) | 33,084 |
| Credit loss expense / (release) | 88 | 257 | 2 | 305 | 42 | 694 |
| Operating expenses | 13,026 | 2,392 | 1,519 | 6,732 | 567 | 24,235 |
| Operating profit / (loss) before tax | 4,019 | 1,259 | 1,455 | 2,482 | (1,060) | 8,155 |
| Tax expense / (benefit) | | | | | | 1,583 |
| Net profit / (loss) | | | | | | 6,572 |
| Additional information | | | | | | |
| Total assets | 367,714 | 231,657 | 28,589 | 369,683 | 128,122 | 1,125,765 |
| Additions to non-current assets | 5 | 12 | 385 | 150 | 2,294 | 2,847 |

¹ Includes an USD 848m gain in Asset Management related to the sale of UBS's shareholding in Mitsubishi Corp.-UBS Realty Inc. ² During 2022, UBS refined the methodology applied to allocate balance sheet resources from Group Functions to the business divisions, with prospective effect. If the new methodology had been applied as of 31 December 2021, balance sheet assets allocated to business divisions would have been USD 26bn higher, of which USD 14bn related to the Investment Bank. ³ Includes a USD 631m net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG), of which USD 571m was recognized in Asset Management and USD 60m was recognized in Global Wealth Management.

Note 2b Segment reporting by geographic location

The operating regions shown in the table below correspond to the regional management structure of the Group. The allocation of total revenues to these regions reflects, and is consistent with, the basis on which the business is managed and its performance is evaluated. These allocations involve assumptions and judgments that management considers to be reasonable, and may be refined to reflect changes in estimates or management structure. The main principles of the allocation methodology are that client revenues are attributed to the domicile of the given client and trading and portfolio management revenues are attributed to the country where the risk is managed. This revenue attribution is consistent with the mandate of the regional Presidents. Certain revenues, such as those related to Non-core and Legacy Portfolio in Group Functions, are managed at a Group level. These revenues are included in the *Global* line.

The geographic analysis of non-current assets is based on the location of the entity in which the given assets are recorded.

For the year ended 31 December 2022

| | Total revenues ¹ | | Total non-current assets | |
|--|-----------------------------|------------|--------------------------|------------|
| | USD bn | Share % | USD bn | Share % |
| Americas ² | 13.8 | 40 | 8.9 | 46 |
| Asia Pacific | 5.6 | 16 | 1.5 | 8 |
| Europe, Middle East and Africa (excluding Switzerland) | 7.0 | 20 | 2.9 | 15 |
| Switzerland | 7.7 | 22 | 6.3 | 32 |
| Global | 0.5 | 1 | 0.0 | 0 |
| Total | 34.6 | 100 | 19.7 | 100 |

For the year ended 31 December 2021

| | Total revenues ¹ | | Total non-current assets | |
|--|-----------------------------|------------|--------------------------|------------|
| | USD bn | Share % | USD bn | Share % |
| Americas ² | 14.5 | 41 | 9.0 | 44 |
| Asia Pacific | 6.5 | 18 | 1.5 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 7.0 | 20 | 2.9 | 14 |
| Switzerland | 7.8 | 22 | 7.1 | 35 |
| Global | (0.3) | (1) | 0.0 | 0 |
| Total | 35.4 | 100 | 20.5 | 100 |

For the year ended 31 December 2020

| | Total revenues ¹ | | Total non-current assets | |
|--|-----------------------------|------------|--------------------------|------------|
| | USD bn | Share % | USD bn | Share % |
| Americas ² | 13.2 | 40 | 9.0 | 42 |
| Asia Pacific | 6.1 | 18 | 1.5 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 6.5 | 20 | 3.0 | 14 |
| Switzerland | 7.1 | 22 | 7.6 | 36 |
| Global | 0.1 | 0 | 0.0 | 0 |
| Total | 33.1 | 100 | 21.1 | 100 |

¹ During 2022, UBS changed the presentation of its Income statement. Total operating income was renamed Total revenues and excludes Credit loss expense / (release). Note 2b, including prior-period information, has been updated to reflect the new presentation structure, with the disclosure of Total revenues instead of Total operating income. Refer to Note 1b for more information. ² Predominantly related to the USA.

Income statement notes

Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss

| USD m | For the year ended | | |
|--|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 1,403 | 1,431 | 1,299 |
| Other net income from financial instruments measured at fair value through profit or loss | 7,517 | 5,850 | 6,960 |
| <i>of which: net gains / (losses) from financial liabilities designated at fair value¹</i> | 17,037 | (6,582) | 1,509 |
| Total net income from financial instruments measured at fair value through profit or loss and other | 8,920 | 7,281 | 8,259 |
| Net interest income | | | |
| Interest income from loans and deposits ² | 9,612 | 6,488 | 6,690 |
| Interest income from securities financing transactions measured at amortized cost ³ | 1,378 | 513 | 862 |
| Interest income from other financial instruments measured at amortized cost | 545 | 284 | 335 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 74 | 115 | 101 |
| Interest income from derivative instruments designated as cash flow hedges | 173 | 1,133 | 822 |
| Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 11,782 | 8,533 | 8,810 |
| Interest expense on loans and deposits ⁴ | 2,579 | 523 | 1,031 |
| Interest expense on securities financing transactions measured at amortized cost ⁵ | 1,089 | 1,102 | 870 |
| Interest expense on debt issued | 2,803 | 1,533 | 2,237 |
| Interest expense on lease liabilities | 92 | 102 | 110 |
| Total interest expense from financial instruments measured at amortized cost | 6,564 | 3,259 | 4,247 |
| Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 5,218 | 5,274 | 4,563 |
| Total net interest income from financial instruments measured at fair value through profit or loss and other | 1,403 | 1,431 | 1,299 |
| Total net interest income | 6,621 | 6,705 | 5,862 |

1 Excludes fair value changes of hedges related to financial liabilities designated at fair value and foreign currency translation effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within Other net income from financial instruments measured at fair value through profit or loss. 2022 included net gains of USD 4,112m (net losses of USD 2,068m and USD 72m in 2021 and 2020, respectively), driven by financial liabilities related to unit-linked investment contracts, which are designated at fair value through profit or loss. This was offset by net losses of USD 4,112m (net gains of USD 2,068m and USD 72m in 2021 and 2020, respectively), related to financial assets for unit-linked investment contracts that are mandatorily measured at fair value through profit or loss not held for trading. 2 Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. 3 Includes negative interest, including fees, on payables from securities financing transactions measured at amortized cost. 4 Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, and customer deposits, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. 5 Includes negative interest, including fees, on receivables from securities financing transactions measured at amortized cost.

Note 4 Net fee and commission income

| USD m | For the year ended | | |
|--|--------------------|---------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Underwriting fees | 579 | 1,463 | 1,085 |
| M&A and corporate finance fees | 804 | 1,102 | 736 |
| Brokerage fees | 3,484 | 4,382 | 4,132 |
| Investment fund fees | 4,942 | 5,790 | 5,289 |
| Portfolio management and related services | 9,059 | 9,762 | 8,009 |
| Other | 1,920 | 1,874 | 1,710 |
| Total fee and commission income¹ | 20,789 | 24,372 | 20,961 |
| <i>of which: recurring</i> | 14,229 | 15,410 | 13,009 |
| <i>of which: transaction-based</i> | 6,492 | 8,692 | 7,491 |
| <i>of which: performance-based</i> | 68 | 269 | 461 |
| Fee and commission expense | 1,823 | 1,985 | 1,775 |
| Net fee and commission income | 18,966 | 22,387 | 19,186 |

1 For the year ended 31 December 2022, reflects third-party fee and commission income of USD 12,990m for Global Wealth Management, USD 1,654m for Personal & Corporate Banking, USD 2,840m for Asset Management, USD 3,296m for the Investment Bank and USD 10m for Group Functions (for the year ended 31 December 2021: USD 14,545m for Global Wealth Management, USD 1,644m for Personal & Corporate Banking, USD 3,337m for Asset Management, USD 4,814m for the Investment Bank and USD 33m for Group Functions; for the year ended 31 December 2020: USD 12,475m for Global Wealth Management, USD 1,426m for Personal & Corporate Banking, USD 3,129m for Asset Management, USD 3,882m for the Investment Bank and USD 49m for Group Functions).

Note 5 Other income

| USD m | For the year ended | | |
|---|--------------------|------------------|------------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Associates, joint ventures and subsidiaries | | | |
| Net gains / (losses) from acquisitions and disposals of subsidiaries ¹ | 148 | (11) | 635 ² |
| Net gains / (losses) from disposals of investments in associates and joint ventures | 844 ³ | 41 | 0 |
| Share of net profits of associates and joint ventures | 32 | 105 | 84 |
| Total | 1,024 | 135 | 719 |
| Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income | (1) | 9 | 40 |
| Income from properties ⁴ | 20 | 23 | 26 |
| Net gains / (losses) from properties held for sale | 24 | 100 ⁵ | 76 ⁶ |
| Other | 391 ⁷ | 185 ⁸ | 216 ⁹ |
| Total other income | 1,459 | 452 | 1,076 |

¹ Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. Refer to Note 29 for more information about UBS's acquisitions and disposals of subsidiaries and businesses. ² Includes a USD 631m net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG). ³ Includes an USD 848m gain related to the sale of UBS's shareholding in Mitsubishi Corp.-UBS Realty Inc. Refer to Note 28b for more information. ⁴ Includes rent received from third parties. ⁵ Mainly relates to the sale of a property in Basel. ⁶ Includes net gains of USD 140m arising from sale-and-leaseback transactions, primarily related to a property in Geneva, partly offset by remeasurement losses relating to properties that were reclassified as held for sale. ⁷ Mainly relates to a portion of the total USD 133m gain on the sale of UBS's domestic wealth management business in Spain of USD 111m (with the remaining amount disclosed within Net gains / (losses) from acquisitions and disposals of subsidiaries), income of USD 111m related to a legacy litigation settlement and a legacy bankruptcy claim, as well as gains of USD 98m related to the repurchase of UBS's own debt instruments (compared with losses of USD 60m in 2021). ⁸ Includes a gain of USD 100m from the sale of UBS's domestic wealth management business in Austria. ⁹ Includes a USD 215m gain on the sale of intellectual property rights associated with the Bloomberg Commodity Index family.

Note 6 Personnel expenses

| USD m | For the year ended | | |
|---|--------------------|---------------|--------------------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Salaries ¹ | 7,045 | 7,339 | 7,023 |
| Variable compensation ² | 7,954 | 8,280 | 7,520 |
| <i>of which: performance awards</i> | <i>3,205</i> | <i>3,190</i> | <i>3,209³</i> |
| <i>of which: financial advisors⁴</i> | <i>4,508</i> | <i>4,860</i> | <i>4,091</i> |
| <i>of which: other</i> | <i>241</i> | <i>229</i> | <i>220</i> |
| Contractors | 323 | 381 | 375 |
| Social security | 944 | 978 | 899 ³ |
| Post-employment benefit plans ⁵ | 794 | 833 | 845 |
| <i>of which: defined benefit plans</i> | <i>437</i> | <i>470</i> | <i>502</i> |
| <i>of which: defined contribution plans</i> | <i>357</i> | <i>363</i> | <i>343</i> |
| Other personnel expenses | 621 | 576 | 561 ³ |
| Total personnel expenses | 17,680 | 18,387 | 17,224 |

¹ Includes role-based allowances. ² Refer to Note 27 for more information. ³ During 2020, UBS modified the conditions for continued vesting of certain outstanding deferred compensation awards for qualifying employees, resulting in an expense of approximately USD 280m, of which USD 240m is disclosed within Variable compensation – performance awards, USD 20m within Social security and USD 20m within Other personnel expenses. ⁴ Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ⁵ Refer to Note 26 for more information. Includes curtailment gains of USD 20m for the year ended 31 December 2022 (for the year ended 31 December 2021: USD 80m; for the year ended 31 December 2020: USD 0m), which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

Note 7 General and administrative expenses

| USD m | For the year ended | | |
|---|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Outsourcing costs | 896 | 893 | 951 |
| Technology costs | 1,146 | 1,055 | 949 |
| Consulting, legal and audit fees | 592 | 540 | 646 |
| Real estate and logistics costs | 605 | 634 | 671 |
| Market data services | 419 | 417 | 413 |
| Marketing and communication | 265 | 242 | 217 |
| Travel and entertainment | 172 | 72 | 84 |
| Litigation, regulatory and similar matters ¹ | 348 | 911 | 197 |
| Other | 746 | 788 | 757 |
| Total general and administrative expenses | 5,189 | 5,553 | 4,885 |

¹ Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 17 for more information.

Note 8 Income taxes

| USD m | For the year ended | | |
|--|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Tax expense / (benefit) | | | |
| Swiss | | | |
| Current | 730 | 680 | 482 |
| Deferred | (15) | 34 | 116 |
| Total Swiss | 715 | 714 | 598 |
| Non-Swiss | | | |
| Current | 718 | 884 | 749 |
| Deferred | 509 | 400 | 236 |
| Total non-Swiss | 1,227 | 1,284 | 985 |
| Total income tax expense / (benefit) recognized in the income statement | 1,942 | 1,998 | 1,583 |

Income tax recognized in the income statement

The Swiss current tax expenses related to taxable profits of UBS Switzerland AG and other Swiss entities.

The non-Swiss current tax expenses related to taxable profits of non-Swiss subsidiaries and branches. The non-Swiss deferred tax expenses include expenses of USD 678m that primarily related to the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc., which were partly offset by a benefit of USD 169m in respect of net upward revaluations of DTAs for certain entities, primarily in connection with our business planning process.

The effective tax rate for the year of 20.2% is lower than our projected rate for the year of 24%, primarily as a result of the aforementioned deferred tax benefit of USD 169m in respect of net upward revaluations of DTAs and because no tax expenses were recognized in respect of pre-tax gains from dispositions of UBS subsidiaries in 2022.

› Refer to Note 29 for more information about disposals of subsidiaries

| USD m | For the year ended | | |
|---|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Operating profit / (loss) before tax | 9,604 | 9,484 | 8,155 |
| of which: Swiss | 4,425 | 3,334 | 3,403 |
| of which: non-Swiss | 5,178 | 6,150 | 4,752 |
| Income taxes at Swiss tax rate of 18% for 2022, 18.5% for 2021 and 19.5% for 2020 | 1,729 | 1,755 | 1,590 |
| Increase / (decrease) resulting from: | | | |
| Non-Swiss tax rates differing from Swiss tax rate | 284 | 234 | 110 |
| Tax effects of losses not recognized | 74 | 124 | 144 |
| Previously unrecognized tax losses now utilized | (217) | (179) | (212) |
| Non-taxable and lower-taxed income | (335) | (278) | (394) |
| Non-deductible expenses and additional taxable income | 429 | 510 | 385 |
| Adjustments related to prior years, current tax | (41) | (40) | (67) |
| Adjustments related to prior years, deferred tax | 13 | (10) | 12 |
| Change in deferred tax recognition | (217) | (342) | (381) |
| Adjustments to deferred tax balances arising from changes in tax rates | 0 | (5) | 234 |
| Other items | 222 | 231 | 161 |
| Income tax expense / (benefit) | 1,942 | 1,998 | 1,583 |

Note 8 Income taxes (continued)

The components of operating profit before tax, and the differences between income tax expense reflected in the financial statements and the amounts calculated at the Swiss tax rate, are provided in the table above and explained below.

| Component | Description |
|---|--|
| Non-Swiss tax rates differing from the Swiss tax rate | To the extent that Group profits or losses arise outside Switzerland, the applicable local tax rate may differ from the Swiss tax rate. This item reflects, for such profits, an adjustment from the tax expense that would arise at the Swiss tax rate to the tax expense that would arise at the applicable local tax rate. Similarly, it reflects, for such losses, an adjustment from the tax benefit that would arise at the Swiss tax rate to the tax benefit that would arise at the applicable local tax rate. |
| Tax effects of losses not recognized | This item relates to tax losses of entities arising in the year that are not recognized as DTAs and where no tax benefit arises in relation to those losses. Therefore, the tax benefit calculated by applying the local tax rate to those losses as described above is reversed. |
| Previously unrecognized tax losses now utilized | This item relates to taxable profits of the year that are offset by tax losses of previous years for which no DTAs were previously recorded. Consequently, no current tax or deferred tax expense arises in relation to those taxable profits and the tax expense calculated by applying the local tax rate on those profits is reversed. |
| Non-taxable and lower-taxed income | This item relates to tax deductions for the year in respect of permanent differences. These include deductions in respect of profits that are either not taxable or are taxable at a lower rate of tax than the local tax rate. They also include deductions made for tax purposes, which are not reflected in the accounts. |
| Non-deductible expenses and additional taxable income | This item relates to additional taxable income for the year in respect of permanent differences. These include income that is recognized for tax purposes by an entity but is not included in its profit that is reported in the financial statements, as well as expenses for the year that are non-deductible (e.g., client entertainment costs are not deductible in certain locations). |
| Adjustments related to prior years, current tax | This item relates to adjustments to current tax expense for prior years (e.g., if the tax payable for a year is agreed with the tax authorities in an amount that differs from the amount previously reflected in the financial statements). |
| Adjustments related to prior years, deferred tax | This item relates to adjustments to deferred tax positions recognized in prior years (e.g., if a tax loss for a year is fully recognized and the amount of the tax loss agreed with the tax authorities is expected to differ from the amount previously recognized as DTAs in the accounts). |
| Change in deferred tax recognition | This item relates to changes in DTAs, including changes in DTAs previously recognized resulting from reassessments of expected future taxable profits. It also includes changes in temporary differences in the year, for which deferred tax is not recognized. |
| Adjustments to deferred tax balances arising from changes in tax rates | This item relates to remeasurements of DTAs and liabilities recognized due to changes in tax rates. These have the effect of changing the future tax saving that is expected from tax losses or deductible tax differences and therefore the amount of DTAs recognized or, alternatively, changing the tax cost of additional taxable income from taxable temporary differences and therefore the deferred tax liability. |
| Other items | Other items include other differences between profits or losses at the local tax rate and the actual local tax expense or benefit, including movements in provisions for uncertain positions in relation to the current year and other items. |

Income tax recognized directly in equity

A net tax benefit of USD 1,116m was recognized in *Other comprehensive income* (2021: net benefit of USD 479m) and a net tax benefit of USD 13m was recognized in *Share premium* (2021: net expense of USD 88m).

Note 8 Income taxes (continued)

Deferred tax assets and liabilities

The Group has gross DTAs, valuation allowances and recognized DTAs related to tax loss carry-forwards and deductible temporary differences, as well as deferred tax liabilities in respect of taxable temporary differences, as shown in the table below. The valuation allowances reflect DTAs that were not recognized because, as of the last remeasurement period, management did not consider it probable that there would be sufficient future taxable profits available to utilize the related tax loss carry-forwards and deductible temporary differences.

The recognition of DTAs is supported by forecasts of taxable profits for the entities concerned. In addition, tax planning opportunities are available that would result in additional future taxable income and these would be utilized, if necessary.

Deferred tax liabilities are recognized in respect of investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that the Group can control the timing of the reversal of the associated taxable temporary difference and it is probable that such will not reverse in the foreseeable future. However, as of 31 December 2022, this exception was not considered to apply to any taxable temporary differences.

| USD m | 31.12.22 | | | 31.12.21 | | |
|---|---------------|---------------------|--------------------------|---------------|---------------------|--------------------------|
| | Gross | Valuation allowance | Recognized | Gross | Valuation allowance | Recognized |
| Deferred tax assets¹ | | | | | | |
| Tax loss carry-forwards | 12,708 | (8,720) | 3,988 | 13,636 | (9,193) | 4,443 |
| Temporary differences | 5,814 | (414) | 5,400 | 5,133 | (700) | 4,433 |
| <i>of which: related to real estate costs capitalized for US tax purposes</i> | 2,485 | 0 | 2,485 | 2,272 | 0 | 2,272 |
| <i>of which: related to compensation and benefits</i> | 1,194 | (175) | 1,018 | 1,222 | (209) | 1,013 |
| <i>of which: related to cash flow hedges</i> | 947 | 0 | 947 | 3 | 0 | 3 |
| <i>of which: other</i> | 1,188 | (238) | 950 | 1,636 | (491) | 1,145 |
| Total deferred tax assets | 18,522 | (9,134) | 9,389² | 18,769 | (9,893) | 8,876² |
| <i>of which: related to the US</i> | | | 8,294 | | | 8,521 |
| <i>of which: related to other locations</i> | | | 1,095 | | | 355 |
| Deferred tax liabilities | | | | | | |
| Cash flow hedges | | | 0 | | | 118 |
| Other | | | 236 | | | 183 |
| Total deferred tax liabilities | | | 236 | | | 300 |

¹ After offset of DTLs, as applicable. ² As of 31 December 2022, the Group recognized DTAs of USD 471m (31 December 2021: USD 77m) in respect of entities that incurred losses in either the current or preceding year.

In general, US federal tax losses incurred prior to 31 December 2017 can be carried forward for 20 years. US federal tax losses incurred after that date can be carried forward indefinitely, although the utilization of such losses is limited to 80% of the entity's future year taxable profits. UK tax losses can also be carried forward indefinitely; they can shelter up to either 25% or 50% of future year taxable profits, depending on when the tax losses arose. The amounts of US tax loss carry-forwards that are included in the table below are based on their amount for federal tax purposes rather than for state and local tax purposes.

Unrecognized tax loss carry-forwards

| USD m | 31.12.22 | 31.12.21 |
|--|---------------|---------------|
| Within 1 year | 231 | 141 |
| From 2 to 5 years | 2,184 | 1,026 |
| From 6 to 10 years | 11,106 | 13,283 |
| From 11 to 20 years | 1,610 | 2,093 |
| No expiry | 16,960 | 18,147 |
| Total | 32,091 | 34,690 |
| <i>of which: related to the US¹</i> | 13,350 | 14,870 |
| <i>of which: related to the UK</i> | 14,332 | 14,909 |
| <i>of which: related to other locations</i> | 4,409 | 4,911 |

¹ Related to UBS AG's US branch.

Balance sheet notes

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement

The tables below provide information about financial instruments and certain credit lines that are subject to expected credit loss (ECL) requirements. UBS's ECL disclosure segments, or "ECL segments" are aggregated portfolios based on shared risk characteristics and on the same or similar rating methods applied. The key segments are presented in the table below.

› Refer to Note 19 for more information about expected credit loss measurement

| Segment | Segment description | Description of credit risk sensitivity | Business division |
|---|---|--|---|
| Private clients with mortgages | Lending to private clients secured by owner-occupied real estate and personal account overdrafts of those clients | Sensitive to the interest rate environment, unemployment levels, real estate collateral values and other regional aspects | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management |
| Real estate financing | Rental or income-producing real estate financing to private and corporate clients secured by real estate | Sensitive to unemployment levels, the interest rate environment, real estate collateral values and other regional aspects | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management – Investment Bank |
| Large corporate clients | Lending to large corporate and multi-national clients | Sensitive to GDP developments, unemployment levels, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | <ul style="list-style-type: none"> – Personal & Corporate Banking – Investment Bank |
| SME clients | Lending to small and medium-sized corporate clients | Sensitive to GDP developments, unemployment levels, the interest rate environment and, to some extent, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | <ul style="list-style-type: none"> – Personal & Corporate Banking |
| Lombard | Loans secured by pledges of marketable securities, guarantees and other forms of collateral (including concentration in hedge funds, private equity and unlisted equities), as well as unsecured recourse lending | Sensitive to equity and debt markets (e.g., changes in collateral values) | <ul style="list-style-type: none"> – Global Wealth Management |
| Credit cards | Credit card solutions in Switzerland and the US | Sensitive to unemployment levels | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management |
| Commodity trade finance | Working capital financing of commodity traders, generally extended on a self-liquidating transactional basis | Sensitive primarily to the strength of individual transaction structures and collateral values (price volatility of commodities), as the primary source for debt service is directly linked to the shipments financed | <ul style="list-style-type: none"> – Personal & Corporate Banking |
| Financial intermediaries and hedge funds | Lending to financial institutions and pension funds, including exposures to broker-dealers and clearing houses | Sensitive to GDP development, the interest rate environment, price and volatility risks in financial markets, and regulatory and political risk | <ul style="list-style-type: none"> – Personal & Corporate Banking – Investment Bank |

› Refer to Note 19f for more details regarding sensitivity

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

The tables below provide ECL exposure and ECL allowance and provision information about financial instruments and certain non-financial instruments that are subject to ECLs.

| USD m | | 31.12.22 | | | | | | |
|---|----------------|------------------------------|---------------|--------------|----------------|--------------|--------------|--------------|
| | | Carrying amount ¹ | | | ECL allowances | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 169,445 | 169,402 | 44 | 0 | (12) | 0 | (12) | 0 |
| Loans and advances to banks | 14,792 | 14,792 | 1 | 0 | (6) | (5) | (1) | 0 |
| Receivables from securities financing transactions measured at amortized cost | 67,814 | 67,814 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 35,032 | 35,032 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 387,220 | 370,095 | 15,587 | 1,538 | (783) | (129) | (180) | (474) |
| <i>of which: Private clients with mortgages</i> | 156,930 | 147,651 | 8,579 | 699 | (161) | (27) | (107) | (28) |
| <i>of which: Real estate financing</i> | 46,470 | 43,112 | 3,349 | 9 | (41) | (17) | (23) | 0 |
| <i>of which: Large corporate clients</i> | 12,226 | 10,733 | 1,189 | 303 | (130) | (24) | (14) | (92) |
| <i>of which: SME clients</i> | 13,903 | 12,211 | 1,342 | 351 | (251) | (26) | (22) | (203) |
| <i>of which: Lombard</i> | 132,287 | 132,196 | 0 | 91 | (26) | (9) | 0 | (17) |
| <i>of which: Credit cards</i> | 1,834 | 1,420 | 382 | 31 | (36) | (7) | (10) | (19) |
| <i>of which: Commodity trade finance</i> | 3,272 | 3,261 | 0 | 11 | (96) | (6) | 0 | (90) |
| Other financial assets measured at amortized cost | 53,264 | 52,704 | 413 | 147 | (86) | (17) | (6) | (63) |
| <i>of which: Loans to financial advisors</i> | 2,611 | 2,357 | 128 | 126 | (59) | (7) | (2) | (51) |
| Total financial assets measured at amortized cost | 727,568 | 709,839 | 16,044 | 1,685 | (889) | (154) | (199) | (537) |
| Financial assets measured at fair value through other comprehensive income | 2,239 | 2,239 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets within the scope of ECL requirements | 729,807 | 712,078 | 16,044 | 1,685 | (889) | (154) | (199) | (537) |
| | | Total exposure | | | ECL provisions | | | |
| Off-balance sheet (within the scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 22,167 | 19,805 | 2,254 | 108 | (48) | (13) | (9) | (26) |
| <i>of which: Large corporate clients</i> | 3,663 | 2,883 | 721 | 58 | (26) | (2) | (3) | (21) |
| <i>of which: SME clients</i> | 1,337 | 1,124 | 164 | 49 | (5) | (1) | (1) | (3) |
| <i>of which: Financial intermediaries and hedge funds</i> | 11,833 | 10,513 | 1,320 | 0 | (12) | (8) | (4) | 0 |
| <i>of which: Lombard</i> | 2,376 | 2,376 | 0 | 1 | (1) | 0 | 0 | (1) |
| <i>of which: Commodity trade finance</i> | 2,121 | 2,121 | 0 | 0 | (1) | (1) | 0 | 0 |
| Irrevocable loan commitments | 39,996 | 37,531 | 2,341 | 124 | (111) | (59) | (52) | 0 |
| <i>of which: Large corporate clients</i> | 23,611 | 21,488 | 2,024 | 99 | (93) | (49) | (45) | 0 |
| Forward starting reverse repurchase and securities borrowing agreements | 3,801 | 3,801 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 41,390 | 39,521 | 1,833 | 36 | (40) | (32) | (8) | 0 |
| <i>of which: Real estate financing</i> | 8,711 | 8,528 | 183 | 0 | (6) | (6) | 0 | 0 |
| <i>of which: Large corporate clients</i> | 4,578 | 4,304 | 268 | 5 | (4) | (1) | (2) | 0 |
| <i>of which: SME clients</i> | 4,723 | 4,442 | 256 | 26 | (19) | (16) | (3) | 0 |
| <i>of which: Lombard</i> | 7,855 | 7,854 | 0 | 1 | 0 | 0 | 0 | 0 |
| <i>of which: Credit cards</i> | 9,390 | 8,900 | 487 | 3 | (7) | (5) | (2) | 0 |
| <i>of which: Commodity trade finance</i> | 327 | 327 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrevocable committed prolongation of existing loans | 4,696 | 4,600 | 94 | 2 | (2) | (2) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 112,050 | 105,258 | 6,522 | 270 | (201) | (106) | (69) | (26) |
| Total allowances and provisions | | | | | (1,091) | (259) | (267) | (564) |

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| USD m | 31.12.21 | | | | | | | |
|---|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Carrying amount ¹ | | | | ECL allowances | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 192,817 | 192,817 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 15,480 | 15,453 | 26 | 1 | (8) | (7) | (1) | 0 |
| Receivables from securities financing transactions measured at amortized cost | 75,012 | 75,012 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 30,514 | 30,514 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 397,761 | 380,564 | 15,620 | 1,577 | (850) | (126) | (152) | (572) |
| <i>of which: Private clients with mortgages</i> | 152,479 | 143,505 | 8,262 | 711 | (132) | (28) | (71) | (33) |
| <i>of which: Real estate financing</i> | 43,945 | 40,463 | 3,472 | 9 | (60) | (19) | (40) | 0 |
| <i>of which: Large corporate clients</i> | 13,990 | 12,643 | 1,037 | 310 | (170) | (22) | (16) | (133) |
| <i>of which: SME clients</i> | 14,004 | 12,076 | 1,492 | 436 | (259) | (19) | (15) | (225) |
| <i>of which: Lombard</i> | 149,283 | 149,255 | 0 | 27 | (33) | (6) | 0 | (28) |
| <i>of which: Credit cards</i> | 1,716 | 1,345 | 342 | 29 | (36) | (10) | (9) | (17) |
| <i>of which: Commodity trade finance</i> | 3,813 | 3,799 | 7 | 7 | (114) | (6) | 0 | (108) |
| Other financial assets measured at amortized cost | 26,209 | 25,718 | 302 | 189 | (109) | (27) | (7) | (76) |
| <i>of which: Loans to financial advisors</i> | 2,453 | 2,184 | 106 | 163 | (86) | (19) | (3) | (63) |
| Total financial assets measured at amortized cost | 737,794 | 720,079 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |
| Financial assets measured at fair value through other comprehensive income | 8,844 | 8,844 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets within the scope of ECL requirements | 746,638 | 728,923 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |
| | Total exposure | | | | ECL provisions | | | |
| Off-balance sheet (within the scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 20,972 | 19,695 | 1,127 | 150 | (41) | (18) | (8) | (15) |
| <i>of which: Large corporate clients</i> | 3,464 | 2,567 | 793 | 104 | (6) | (3) | (3) | 0 |
| <i>of which: SME clients</i> | 1,353 | 1,143 | 164 | 46 | (8) | (1) | (1) | (7) |
| <i>of which: Financial intermediaries and hedge funds</i> | 9,575 | 9,491 | 84 | 0 | (17) | (13) | (4) | 0 |
| <i>of which: Lombard</i> | 2,454 | 2,454 | 0 | 0 | (1) | 0 | 0 | (1) |
| <i>of which: Commodity trade finance</i> | 3,137 | 3,137 | 0 | 0 | (1) | (1) | 0 | 0 |
| Irrevocable loan commitments | 39,478 | 37,097 | 2,335 | 46 | (114) | (72) | (42) | 0 |
| <i>of which: Large corporate clients</i> | 23,922 | 21,811 | 2,102 | 9 | (100) | (66) | (34) | 0 |
| Forward starting reverse repurchase and securities borrowing agreements | 1,444 | 1,444 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 40,778 | 38,207 | 2,508 | 63 | (38) | (28) | (10) | 0 |
| <i>of which: Real estate financing</i> | 7,328 | 7,046 | 281 | 0 | (5) | (4) | (1) | 0 |
| <i>of which: Large corporate clients</i> | 5,358 | 4,599 | 736 | 23 | (7) | (4) | (3) | 0 |
| <i>of which: SME clients</i> | 5,160 | 4,736 | 389 | 35 | (15) | (11) | (3) | 0 |
| <i>of which: Lombard</i> | 8,670 | 8,670 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>of which: Credit cards</i> | 9,466 | 9,000 | 462 | 4 | (6) | (5) | (2) | 0 |
| <i>of which: Commodity trade finance</i> | 117 | 117 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrevocable committed prolongation of existing loans | 5,611 | 5,527 | 36 | 48 | (3) | (3) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 108,284 | 101,971 | 6,006 | 307 | (196) | (121) | (60) | (15) |
| Total allowances and provisions | | | | | (1,165) | (282) | (220) | (662) |

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

Coverage ratios are calculated for the core loan portfolio by taking ECL allowances and provisions divided by the gross carrying amount of the exposures. Core loan exposure is defined as the sum of *Loans and advances to customers* and *Loans to financial advisors*.

These ratios are influenced by the following key factors:

- Lombard loans are generally secured with marketable securities in portfolios that are, as a rule, highly diversified, with strict lending policies that are intended to ensure that credit risk is minimal under most circumstances;
- mortgage loans to private clients and real estate financing are controlled by conservative eligibility criteria, including low loan-to-value ratios and strong debt service capabilities;
- the amount of unsecured retail lending (including credit cards) is insignificant;
- lending in Switzerland includes government-backed COVID-19 loans;
- contractual maturities in the loan portfolio, which are a factor in the calculation of ECLs, are generally short, with Lombard lending typically having average contractual maturities of 12 months or less, real estate lending generally between two and three years in Switzerland, with long dated maturities in the US, and corporate lending between one and two years with related loan commitments up to four years; and
- write-offs of ECL allowances against the gross loan balances when all or part of a financial asset is deemed uncollectible or forgiven, reduces the coverage ratios.

The total combined on- and off-balance sheet coverage ratio was at 21 basis points as of 31 December 2022, 1 basis point lower than on 31 December 2021. The combined stage 1 and 2 ratio of 10 basis points was unchanged compared with 31 December 2021; the stage 3 ratio was 22%, 2 percentage points lower than as of 31 December 2021.

| | Gross carrying amount (USD m) | | | | ECL coverage (bps) | | | | |
|--|-------------------------------|----------------|---------------|--------------|--------------------|-----------|------------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| On-balance sheet | | | | | | | | | |
| Private clients with mortgages | 157,091 | 147,678 | 8,686 | 727 | 10 | 2 | 123 | 9 | 381 |
| Real estate financing | 46,511 | 43,129 | 3,372 | 9 | 9 | 4 | 70 | 9 | 232 |
| Total real estate lending | 203,602 | 190,807 | 12,059 | 736 | 10 | 2 | 108 | 9 | 379 |
| Large corporate clients | 12,356 | 10,757 | 1,204 | 395 | 105 | 22 | 120 | 32 | 2,325 |
| SME clients | 14,154 | 12,237 | 1,364 | 553 | 177 | 22 | 161 | 36 | 3,664 |
| Total corporate lending | 26,510 | 22,994 | 2,567 | 949 | 144 | 22 | 142 | 34 | 3,106 |
| Lombard | 132,313 | 132,205 | 0 | 108 | 2 | 1 | 0 | 1 | 1,580 |
| Credit cards | 1,869 | 1,427 | 393 | 50 | 190 | 46 | 256 | 91 | 3,779 |
| Commodity trade finance | 3,367 | 3,266 | 0 | 101 | 285 | 18 | 0 | 18 | 8,901 |
| Other loans and advances to customers | 20,342 | 19,525 | 748 | 68 | 21 | 7 | 38 | 8 | 3,769 |
| Loans to financial advisors | 2,670 | 2,364 | 130 | 176 | 221 | 28 | 124 | 33 | 2,870 |
| Total other lending | 160,561 | 158,787 | 1,270 | 503 | 16 | 3 | 114 | 4 | 4,016 |
| Total¹ | 390,672 | 372,588 | 15,896 | 2,188 | 22 | 4 | 114 | 8 | 2,398 |
| | | | | | | | | | |
| | | | | | | | | | |
| Off-balance sheet | | | | | | | | | |
| Private clients with mortgages | 6,535 | 6,296 | 236 | 3 | 5 | 4 | 18 | 4 | 1,183 |
| Real estate financing | 10,054 | 9,779 | 275 | 0 | 6 | 7 | 0 | 6 | 0 |
| Total real estate lending | 16,589 | 16,075 | 511 | 3 | 6 | 6 | 2 | 6 | 1,288 |
| Large corporate clients | 32,126 | 28,950 | 3,013 | 163 | 38 | 18 | 165 | 32 | 1,263 |
| SME clients | 7,122 | 6,525 | 499 | 98 | 47 | 30 | 214 | 43 | 304 |
| Total corporate lending | 39,247 | 35,475 | 3,513 | 260 | 40 | 20 | 172 | 34 | 903 |
| Lombard | 12,919 | 12,918 | 0 | 1 | 2 | 1 | 0 | 1 | 0 |
| Credit cards | 9,390 | 8,900 | 487 | 3 | 7 | 5 | 36 | 7 | 0 |
| Commodity trade finance | 2,459 | 2,459 | 0 | 0 | 3 | 3 | 0 | 3 | 0 |
| Financial intermediaries and hedge funds | 15,841 | 14,177 | 1,664 | 0 | 9 | 7 | 25 | 9 | 0 |
| Other off-balance sheet commitments | 11,803 | 11,454 | 346 | 3 | 11 | 8 | 68 | 9 | 0 |
| Total other lending | 52,412 | 49,907 | 2,498 | 7 | 7 | 5 | 33 | 6 | 0 |
| Total² | 108,249 | 101,457 | 6,522 | 270 | 19 | 10 | 106 | 16 | 980 |
| Total on- and off-balance sheet³ | 498,921 | 474,045 | 22,418 | 2,458 | 21 | 5 | 112 | 10 | 2,242 |

¹ Includes Loans and advances to customers and Loans to financial advisors which are presented on the balance sheet line Other assets measured at amortized cost. ² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance-sheet exposure, gross and off-balance-sheet exposure (notional) and the related ECL coverage ratio.

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

31.12.21

| On-balance sheet | Gross carrying amount (USD m) | | | | ECL coverage (bps) | | | | |
|---------------------------------------|-------------------------------|----------------|---------------|--------------|--------------------|----------|-----------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 152,610 | 143,533 | 8,333 | 744 | 9 | 2 | 85 | 6 | 446 |
| Real estate financing | 44,004 | 40,483 | 3,512 | 10 | 14 | 5 | 114 | 14 | 231 |
| Total real estate lending | 196,615 | 184,016 | 11,845 | 754 | 10 | 3 | 94 | 8 | 443 |
| Large corporate clients | 14,161 | 12,665 | 1,053 | 443 | 120 | 18 | 148 | 28 | 2,997 |
| SME clients | 14,263 | 12,095 | 1,507 | 661 | 182 | 16 | 103 | 25 | 3,402 |
| Total corporate lending | 28,424 | 24,760 | 2,560 | 1,104 | 151 | 17 | 121 | 26 | 3,240 |
| Lombard | 149,316 | 149,261 | 0 | 55 | 2 | 0 | 0 | 0 | 5,026 |
| Credit cards | 1,752 | 1,355 | 351 | 46 | 204 | 72 | 255 | 109 | 3,735 |
| Commodity trade finance | 3,927 | 3,805 | 7 | 115 | 290 | 15 | 3 | 15 | 9,388 |
| Other loans and advances to customers | 18,578 | 17,493 | 1,010 | 75 | 25 | 9 | 15 | 10 | 3,730 |
| Loans to financial advisors | 2,539 | 2,203 | 109 | 226 | 338 | 88 | 303 | 99 | 2,791 |
| Total other lending | 176,111 | 174,117 | 1,477 | 517 | 18 | 3 | 93 | 4 | 4,718 |
| Total¹ | 401,150 | 382,893 | 15,882 | 2,374 | 23 | 4 | 98 | 8 | 2,673 |

| Off-balance sheet | Gross exposure (USD m) | | | | ECL coverage (bps) | | | | |
|--|------------------------|----------------|---------------|--------------|--------------------|-----------|------------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 9,123 | 8,798 | 276 | 49 | 3 | 3 | 9 | 3 | 15 |
| Real estate financing | 8,766 | 8,481 | 285 | 0 | 9 | 7 | 88 | 9 | 0 |
| Total real estate lending | 17,889 | 17,278 | 562 | 49 | 6 | 5 | 49 | 6 | 15 |
| Large corporate clients | 32,748 | 28,981 | 3,630 | 136 | 34 | 25 | 110 | 35 | 1 |
| SME clients | 8,077 | 7,276 | 688 | 114 | 38 | 19 | 151 | 30 | 585 |
| Total corporate lending | 40,826 | 36,258 | 4,318 | 250 | 35 | 24 | 117 | 34 | 266 |
| Lombard | 14,438 | 14,438 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Credit cards | 9,466 | 9,000 | 462 | 4 | 7 | 5 | 34 | 7 | 0 |
| Commodity trade finance | 3,262 | 3,262 | 0 | 0 | 4 | 4 | 0 | 4 | 0 |
| Financial intermediaries and hedge funds | 12,153 | 11,784 | 369 | 0 | 15 | 12 | 120 | 15 | 0 |
| Other off-balance sheet commitments | 8,806 | 8,507 | 296 | 4 | 15 | 6 | 30 | 7 | 0 |
| Total other lending | 48,126 | 46,991 | 1,127 | 8 | 9 | 5 | 61 | 7 | 0 |
| Total² | 106,840 | 100,527 | 6,006 | 307 | 18 | 12 | 100 | 17 | 486 |
| Total on- and off-balance sheet³ | 507,990 | 483,420 | 21,888 | 2,681 | 22 | 6 | 99 | 10 | 2,423 |

¹ Includes Loans and advances to customers and Loans to financial advisors which are presented on the balance sheet line Other assets measured at amortized cost. ² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance-sheet exposure, gross and off-balance-sheet exposure (notional) and the related ECL coverage ratio.

Note 10 Derivative instruments

Overview

Over-the-counter (OTC) derivative contracts are usually traded under a standardized International Swaps and Derivatives Association (ISDA) master agreement or other recognized local industry-standard master agreements between UBS and its counterparties. Terms are negotiated directly with counterparties and the contracts have industry-standard settlement mechanisms prescribed by ISDA or similar industry-standard solutions. Other OTC derivatives are cleared through clearing houses, in particular interest rate swaps with LCH, where a settled-to-market method has been generally adopted, under which cash collateral exchanged on a daily basis is considered to legally settle the market value of the derivatives. Regulators in various jurisdictions have introduced rules requiring the payment and collection of initial and variation margins on certain OTC derivative contracts, which may have a bearing on price and other relevant terms.

Exchange-traded derivatives (ETD) are standardized in terms of their amounts and settlement dates, and are bought and sold on regulated exchanges. Exchanges offer the benefits of pricing transparency, standardized daily settlement of changes in value and, consequently, reduced credit risk.

Most of the Group's derivative transactions relate to sales and market-making activity. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Market-making aims to directly support the facilitation and execution of client activity, and involves quoting bid and offer prices to other market participants with the aim of generating revenues based on spread and volume. The Group also uses various derivative instruments for hedging purposes.

- › Refer to Notes 15 and 20 for more information about derivative instruments
- › Refer to Note 25 for more information about derivatives designated in hedge accounting relationships

Note 10 Derivative instruments (continued)

Risks of derivative instruments

The derivative financial assets shown on the balance sheet can be an important component of the Group's credit exposure; however, the positive replacement values related to a respective counterparty are rarely an adequate reflection of the Group's credit exposure in its derivatives business with that counterparty. This is generally the case because, on the one hand, replacement values can increase over time (potential future exposure), while, on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements. Both the exposure measures used internally by the Group to control credit risk and the capital requirements imposed by regulators reflect these additional factors.

- › Refer to Note 21 for more information about derivative financial assets and liabilities after consideration of netting potential permitted under enforceable netting arrangements
- › Refer to the "Risk management and control" section of this report for more information about the risks arising from derivative instruments

Derivative instruments

| | 31.12.22 | | | | | 31.12.21 | | | | |
|--|-----------------------------|--|----------------------------------|---|---------------------------------------|-----------------------------|--|----------------------------------|---|---------------------------------------|
| | Derivative financial assets | Notional amounts related to derivative financial assets ^{2,3} | Derivative financial liabilities | Notional amounts related to derivative financial liabilities ^{2,3} | Other notional amounts ^{2,4} | Derivative financial assets | Notional amounts related to derivative financial assets ^{2,3} | Derivative financial liabilities | Notional amounts related to derivative financial liabilities ^{2,3} | Other notional amounts ^{2,4} |
| <i>USD bn</i> | | | | | | | | | | |
| Interest rate contracts | 39.8 | 1,057.4 | 37.5 | 1,022.9 | 11,255.4 | 33.2 | 991.2 | 28.7 | 943.1 | 8,675.1 |
| of which: forwards (OTC) ¹ | 0.2 | 37.7 | 0.0 | 34.6 | 792.7 | 0.1 | 29.4 | 0.2 | 28.6 | 443.6 |
| of which: swaps (OTC) | 25.2 | 326.1 | 19.8 | 281.0 | 9,728.6 | 26.4 | 394.3 | 19.2 | 344.1 | 7,549.4 |
| of which: options (OTC) | 14.2 | 687.5 | 17.5 | 705.0 | | 6.6 | 545.2 | 9.2 | 553.6 | |
| of which: futures (ETD) | | | | | 606.3 | | | | | 525.0 |
| of which: options (ETD) | 0.0 | 6.1 | 0.0 | 2.2 | 127.7 | 0.0 | 22.4 | 0.0 | 16.8 | 157.1 |
| Credit derivative contracts | 1.0 | 36.8 | 1.2 | 37.1 | | 1.4 | 44.7 | 1.8 | 46.3 | |
| of which: credit default swaps (OTC) | 0.9 | 34.2 | 1.0 | 36.8 | | 1.3 | 39.4 | 1.6 | 44.1 | |
| of which: total return swaps (OTC) | 0.1 | 0.9 | 0.2 | 0.3 | | 0.1 | 1.3 | 0.2 | 1.7 | |
| Foreign exchange contracts | 85.5 | 3,087.1 | 88.5 | 2,992.7 | 40.1 | 53.3 | 3,030.8 | 54.1 | 2,938.8 | 1.2 |
| of which: forwards (OTC) | 26.5 | 853.4 | 28.6 | 910.2 | | 23.8 | 1,008.9 | 23.8 | 1,043.2 | |
| of which: swaps (OTC) | 49.6 | 1,679.3 | 50.4 | 1,553.7 | 38.4 | 24.3 | 1,606.3 | 24.9 | 1,480.3 | |
| of which: options (OTC) | 9.3 | 551.6 | 9.2 | 521.6 | | 5.2 | 412.6 | 5.3 | 408.6 | |
| Equity contracts | 22.2 | 384.5 | 26.1 | 501.3 | 63.4 | 28.2 | 456.9 | 34.9 | 603.9 | 80.1 |
| of which: swaps (OTC) | 5.3 | 95.5 | 6.6 | 122.0 | | 4.7 | 105.7 | 9.3 | 154.8 | |
| of which: options (OTC) | 2.8 | 51.6 | 4.4 | 89.0 | | 4.6 | 61.4 | 6.5 | 102.3 | |
| of which: futures (ETD) | | | | | 52.2 | | | | | 71.2 |
| of which: options (ETD) | 9.0 | 237.0 | 8.1 | 289.7 | 11.2 | 10.2 | 289.6 | 9.8 | 346.3 | 8.8 |
| of which: client-cleared transactions (ETD) | 5.1 | | 7.0 | | | 8.6 | | 9.4 | | |
| Commodity contracts | 1.4 | 68.1 | 1.4 | 64.2 | 17.6 | 1.6 | 57.8 | 1.6 | 56.4 | 14.7 |
| of which: swaps (OTC) | 0.5 | 19.3 | 0.7 | 19.3 | | 0.5 | 19.9 | 0.8 | 25.4 | |
| of which: options (OTC) | 0.4 | 15.8 | 0.3 | 13.3 | | 0.4 | 14.0 | 0.2 | 10.4 | |
| of which: futures (ETD) | | | | | 16.4 | | | | | 13.9 |
| of which: forwards (ETD) | 0.0 | 24.5 | 0.0 | 23.2 | | 0.0 | 18.1 | 0.0 | 15.2 | |
| of which: client-cleared transactions (ETD) | 0.2 | | 0.3 | | | 0.6 | | 0.4 | | |
| Loan commitments measured at FVTPL (OTC) | 0.0 | 0.9 | 0.0 | 3.7 | | 0.0 | 0.8 | 0.0 | 8.2 | |
| Unsettled purchases of non-derivative financial instruments⁵ | 0.1 | 12.1 | 0.1 | 9.4 | | 0.1 | 13.3 | 0.2 | 10.6 | |
| Unsettled sales of non-derivative financial instruments⁵ | 0.1 | 13.0 | 0.0 | 10.7 | | 0.2 | 18.2 | 0.1 | 9.4 | |
| Total derivative instruments, based on IFRS netting⁶ | 150.1 | 4,659.9 | 154.9 | 4,641.9 | 11,376.5 | 118.1 | 4,613.8 | 121.3 | 4,616.6 | 8,771.1 |

1 Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. 2 In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional amounts of the netted derivative financial instruments are still presented on a gross basis. 3 Notional amounts of client-cleared ETD and OTC transactions through central clearing counterparties are not disclosed, as they have significantly different risk profile. 4 Other notional amounts relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for any of the periods presented. 5 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. 6 Derivative financial assets and liabilities are presented net on the balance sheet if UBS has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Refer to Note 21 for more information on netting arrangements.

Note 10 Derivative instruments (continued)

On a notional amount basis, approximately 46% of OTC interest rate contracts held as of 31 December 2022 (31 December 2021: 40%) mature within one year, 32% (31 December 2021: 36%) within one to five years and 22% (31 December 2021: 25%) after five years.

Notional amounts of interest rate contracts cleared through either a central counterparty or an exchange that are legally settled or economically net settled on a daily basis are presented under *Other notional amounts* in the table above and are categorized into maturity buckets on the basis of contractual maturities of the cleared underlying derivative contracts. Other notional amounts related to interest rate contracts increased by USD 2.6trn compared with 31 December 2021, mainly reflecting higher business volumes driven by elevated interest rate volatility and inflation, partly offset by compression activity.

Note 11 Property, equipment and software

At historical cost less accumulated depreciation

| USD m | Owned properties and equipment ¹ | Leased properties and equipment ² | Software | Projects in progress | 2022 ³ | 2021 ³ |
|--|---|--|--------------|--------------------------|-------------------|-------------------|
| Historical cost | | | | | | |
| Balance at the beginning of the year | 13,048 | 4,174 | 8,642 | 1,250 | 27,113 | 26,238 |
| Additions | 162 | 412 | 300 | 1,182 | 2,057 | 2,090 |
| Disposals / write-offs ⁴ | (333) | (62) | (106) | 0 | (501) | (751) |
| Reclassifications | (1,073) | 0 | 1,151 | (1,301) | (1,223) | (18) |
| Foreign currency translation | (217) | (65) | (42) | 5 | (319) | (445) |
| Balance at the end of the year | 11,587 | 4,459 | 9,944 | 1,136 | 27,127 | 27,113 |
| Accumulated depreciation | | | | | | |
| Balance at the beginning of the year | 8,072 | 1,346 | 4,807 | | 14,225 | 13,129 |
| Depreciation | 577 | 451 | 1,005 | | 2,033 | 2,078 |
| Impairment ⁵ | 3 | 0 | 0 | | 3 | 10 |
| Disposals / write-offs ⁴ | (332) | (59) | (106) | | (497) | (737) |
| Reclassifications | (761) | (1) | 0 | | (761) | (12) |
| Foreign currency translation | (135) | (24) | (6) | | (164) | (243) |
| Balance at the end of the year | 7,425 | 1,714 | 5,699 | | 14,839 | 14,225 |
| Net book value | | | | | | |
| Net book value at the beginning of the year | 4,976 | 2,828 | 3,835 | 1,250 | 12,888 | 13,109 |
| Net book value at the end of the year | 4,162 | 2,746 | 4,245 | 1,136⁶ | 12,288 | 12,888 |

¹ Includes leasehold improvements and IT hardware. ² Represents right-of-use assets recognized by UBS as lessee. UBS predominantly enters into lease contracts, or contracts that include lease components, in relation to real estate, including offices, retail branches and sales offices. The total cash outflow for leases during 2022 was USD 614m (2021: USD 657m). Interest expense on lease liabilities is included within Interest expense from financial instruments measured at amortized cost and Lease liabilities are included within Other financial liabilities measured at amortized cost. Refer to Notes 3 and 18a, respectively. There were no material gains or losses arising from sale-and-leaseback transactions in 2022 and in 2021. ³ The total reclassification amount for the respective periods represents net reclassifications to Properties and other non-current assets held for sale. ⁴ Includes write-offs of fully depreciated assets. ⁵ Impairment charges recorded in 2022 generally relate to assets that are no longer used, for which the recoverable amount based on a value in use approach was determined to be zero. ⁶ Consists of USD 939m related to software and USD 197m related to Owned properties and equipment.

Note 12 Goodwill and intangible assets

Introduction

UBS performs an impairment test on its goodwill assets on an annual basis or when indicators of impairment exist.

UBS considers Asset Management, as it is reported in Note 2a, as a separate cash-generating unit (a CGU), as that is the level at which the performance of investment (and the related goodwill) is reviewed and assessed by management. Given that a significant amount of goodwill in Global Wealth Management relates to the PaineWebber acquisition in 2000, which mainly affected the Americas portion of the business, this goodwill remains separately monitored by the Americas, despite the formation of Global Wealth Management in 2018. Therefore, goodwill for Global Wealth Management is separately considered for impairment at the level of two CGUs: Americas; and Switzerland and International (consisting of EMEA, Asia Pacific and Global).

The impairment test is performed for each CGU to which goodwill is allocated by comparing the recoverable amount with the carrying amount of the respective CGU. UBS determines the recoverable amount of the respective CGUs based on their value in use. An impairment charge is recognized if the carrying amount exceeds the recoverable amount.

As of 31 December 2022, total goodwill recognized on the balance sheet was USD 6.0bn, of which USD 3.7bn was carried by the Global Wealth Management Americas CGU, USD 1.2bn was carried by the Global Wealth Management Switzerland and International CGU, and USD 1.2bn was carried by Asset Management. Based on the impairment testing methodology described below, UBS concluded that the goodwill balances as of 31 December 2022 allocated to these CGUs were not impaired.

Note 12 Goodwill and intangible assets (continued)

Methodology for goodwill impairment testing

The recoverable amounts are determined using a discounted cash flow model, which has been adapted to use inputs that consider features of the banking business and its regulatory environment. The recoverable amount of a CGU is the sum of the discounted earnings attributable to shareholders from the first three forecast years and the terminal value, adjusted for the effect of the capital assumed to be needed over the next three years and to support growth beyond that period. The terminal value, which covers all periods beyond the third year, is calculated on the basis of the forecast of the third-year profit, the discount rate and the long-term growth rate, as well as the implied perpetual capital growth.

The carrying amount for each CGU is determined by reference to the Group's equity attribution framework. Within this framework, which is described in the "Capital, liquidity and funding, and balance sheet" section of this report, UBS attributes equity to the businesses on the basis of their risk-weighted assets and leverage ratio denominator (both metrics include resource allocations from Group Functions to the business divisions), their goodwill and their intangible assets, as well as attributed equity related to certain common equity tier 1 deduction items. The framework is primarily used for the purpose of measuring the performance of the businesses and includes certain management assumptions. Attributed equity is equal to the capital a CGU requires to conduct its business and is currently considered a reasonable approximation of the carrying amount of the CGUs. The attributed equity methodology is also applied in the business planning process, the inputs from which are used in calculating the recoverable amounts of the respective CGU.

› Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the equity attribution framework

Assumptions

Valuation parameters used within the Group's impairment test model are linked to external market information, where applicable. The model used to determine the recoverable amount is most sensitive to changes in the forecast earnings available to shareholders in years one to three, to changes in the discount rates and to changes in the long-term growth rate. The applied long-term growth rate is based on long-term economic growth rates for different regions worldwide. Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the Board of Directors.

The discount rates are determined by applying a capital asset pricing model-based approach, as well as considering quantitative and qualitative inputs from both internal and external analysts and the view of management. They also take into account regional differences in risk-free rates at the level of the individual CGUs. In line with discount rates, long-term growth rates are determined at the regional level based on nominal GDP growth rate forecasts.

Key assumptions used to determine the recoverable amounts of each CGU are tested for sensitivity by applying a reasonably possible change to those assumptions. Forecast earnings available to shareholders were changed by 20%, the discount rates were changed by 1.5 percentage points, and the long-term growth rates were changed by 0.75 percentage points. Under all scenarios, reasonably possible changes in key assumptions did not result in an impairment of goodwill or intangible assets reported by Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management.

If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of goodwill attributable to Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management may become impaired in the future, giving rise to losses in the income statement. Recognition of any impairment of goodwill would reduce International Financial Reporting Standards equity and net profit. It would not affect cash flows and, as goodwill is required to be deducted from capital under the Basel III capital framework, no effect would be expected on the Group's capital ratios.

Discount and growth rates

| In % | Discount rates | | Growth rates | |
|--|----------------|----------|--------------|----------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Global Wealth Management Americas | 10.5 | 9.5 | 3.8 | 4.0 |
| Global Wealth Management Switzerland and International | 9.4 | 8.5 | 3.6 | 3.1 |
| Asset Management | 9.5 | 8.5 | 3.4 | 2.9 |

Note 12 Goodwill and intangible assets (continued)

| <i>USD m</i> | Goodwill | Intangible assets ¹ | 2022 | 2021 |
|---|--------------|--------------------------------|--------------|--------------|
| Historical cost | | | | |
| Balance at the beginning of the year | 6,126 | 1,612 | 7,739 | 7,865 |
| Additions | 0 | 0 | 0 | 1 |
| Disposals ² | (22) | 0 | (22) | (3) |
| Write-offs | 0 | 0 | 0 | (41) |
| Foreign currency translation | (61) | (14) | (76) | (83) |
| Balance at the end of the year | 6,043 | 1,598 | 7,641 | 7,739 |
| Accumulated amortization and impairment | | | | |
| Balance at the beginning of the year | | 1,360 | 1,360 | 1,385 |
| Amortization | | 26 | 26 | 31 |
| Impairment / (reversal of impairment) | | (1) | (1) | (1) |
| Write-offs | | 0 | 0 | (41) |
| Foreign currency translation | | (11) | (11) | (13) |
| Balance at the end of the year | | 1,374 | 1,374 | 1,360 |
| Net book value at the end of the year | 6,043 | 224 | 6,267 | 6,378 |
| <i>of which: Global Wealth Management Americas</i> | <i>3,709</i> | <i>31</i> | <i>3,740</i> | <i>3,760</i> |
| <i>of which: Global Wealth Management Switzerland and International</i> | <i>1,166</i> | <i>59</i> | <i>1,225</i> | <i>1,276</i> |
| <i>of which: Asset Management</i> | <i>1,167</i> | <i>0</i> | <i>1,167</i> | <i>1,202</i> |
| <i>of which: Investment Bank</i> | <i>0</i> | <i>135</i> | <i>135</i> | <i>139</i> |

¹ Intangible assets mainly include customer relationships, contractual rights and the fully amortized branch network intangible asset recognized in connection with the acquisition of PaineWebber Group, Inc.
² Reflects the derecognition of goodwill allocated to businesses that have been disposed of, in accordance with IAS 36 requirements.

The table below presents estimated aggregated amortization expenses for intangible assets.

| <i>USD m</i> | Intangible assets |
|--|-------------------|
| Estimated aggregated amortization expenses for: | |
| 2023 | 26 |
| 2024 | 24 |
| 2025 | 23 |
| 2026 | 23 |
| 2027 | 22 |
| Thereafter | 104 |
| Not amortized due to indefinite useful life | 2 |
| Total | 224 |

Note 13 Other assets

a) Other financial assets measured at amortized cost

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|--|---------------|---------------|
| Debt securities | 44,594 | 18,858 |
| Loans to financial advisors | 2,611 | 2,453 |
| Fee- and commission-related receivables | 1,812 | 1,972 |
| Finance lease receivables | 1,315 | 1,356 |
| Settlement and clearing accounts | 1,175 | 455 |
| Accrued interest income | 1,259 | 520 |
| Other | 499 | 594 |
| Total other financial assets measured at amortized cost | 53,264 | 26,209 |

Debt securities increased by USD 25.7bn compared with 31 December 2021, largely reflecting shifts from cash into securities within UBS's high-quality liquid asset portfolio as spreads widened. In addition, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost in 2022.

› Refer to Note 1b for more information

Note 13 Other assets (continued)

b) Other non-financial assets

| USD m | 31.12.22 | 31.12.21 |
|---|---------------|---------------|
| Precious metals and other physical commodities | 4,471 | 5,258 |
| Deposits and collateral provided in connection with litigation, regulatory and similar matters ¹ | 2,205 | 1,526 |
| Prepaid expenses | 1,076 | 1,108 |
| VAT, withholding tax and other tax receivables | 1,468 | 638 |
| Properties and other non-current assets held for sale | 369 | 32 |
| Assets of disposal group held for sale ² | | 1,093 |
| Other | 578 | 621 |
| Total other non-financial assets | 10,166 | 10,277 |

¹ Refer to Note 17 for more information. ² Refer to Note 29 for more information.

Note 14 Customer deposits

| USD m | 31.12.22 | 31.12.21 |
|--------------------------------|----------------|----------------|
| Demand deposits | 180,822 | 246,417 |
| Retail savings / deposits | 149,310 | 133,354 |
| Sweep deposits | 69,223 | 113,870 |
| Time deposits ¹ | 125,696 | 48,365 |
| Total customer deposits | 525,051 | 542,007 |

¹ Includes customer deposits in UBS AG Jersey Branch placed by UBS Switzerland AG on behalf of its clients.

Increases in interest rates during the year resulted in significant shifts from demand deposits to time deposits.

Note 15 Debt issued designated at fair value

| USD m | 31.12.22 | 31.12.21 |
|--|---------------|---------------|
| Issued debt instruments | | |
| Equity-linked ¹ | 41,901 | 47,059 |
| Rates-linked | 16,276 | 16,369 |
| Credit-linked | 2,170 | 1,723 |
| Fixed-rate | 6,538 | 2,868 |
| Commodity-linked | 4,294 | 2,911 |
| Other | 2,459 | 2,868 |
| <i>of which: debt that contributes to total loss-absorbing capacity</i> | <i>1,959</i> | <i>2,136</i> |
| Total debt issued designated at fair value | 73,638 | 73,799 |
| <i>of which: issued by UBS AG with original maturity greater than one year²</i> | <i>57,750</i> | <i>57,967</i> |

¹ Includes investment fund unit-linked instruments issued. ² Based on original contractual maturity without considering any early redemption features. As of 31 December 2022, 100% of the balance was unsecured (31 December 2021: 100%).

Note 16 Debt issued measured at amortized cost

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|--|----------------|----------|
| Short-term debt¹ | 29,676 | 43,098 |
| Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC) | 42,073 | 38,984 |
| Senior unsecured debt other than TLAC | 17,892 | 27,590 |
| <i>of which: issued by UBS AG with original maturity greater than one year</i> | 17,892 | 23,307 |
| Covered bonds | 0 | 1,389 |
| Subordinated debt | 16,017 | 18,640 |
| <i>of which: eligible as high-trigger loss-absorbing additional tier 1 capital instruments</i> | 9,882 | 11,052 |
| <i>of which: eligible as low-trigger loss-absorbing additional tier 1 capital instruments</i> | 1,189 | 2,425 |
| <i>of which: eligible as low-trigger loss-absorbing tier 2 capital instruments</i> | 2,422 | 2,596 |
| <i>of which: eligible as non-Basel III-compliant tier 2 capital instruments</i> | 536 | 547 |
| Debt issued through the Swiss central mortgage institutions | 8,962 | 9,454 |
| Long-term debt² | 84,945 | 96,057 |
| Total debt issued measured at amortized cost³ | 114,621 | 139,155 |

¹ Debt with an original contractual maturity of less than one year, includes mainly certificates of deposit and commercial paper. ² Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. ³ Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

The Group uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, the Group applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 25. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of debt issued was a decrease of USD 6.1bn as of 31 December 2022 and an increase of USD 0.5bn as of 31 December 2021, reflecting changes in fair value due to interest rate movements.

Subordinated debt consists of unsecured debt obligations that are contractually subordinated in right of payment to all other present and future non-subordinated obligations of the respective issuing entity. All of the subordinated debt instruments outstanding as of 31 December 2022 pay a fixed rate of interest.

› Refer to Note 23 for maturity information

Note 17 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|--------------|----------|
| Provisions other than provisions for expected credit losses | 3,042 | 3,322 |
| Provisions for expected credit losses ¹ | 201 | 196 |
| Total provisions | 3,243 | 3,518 |

¹ Refer to Note 9 for more information about ECL provisions recognized for off-balance sheet financial instruments and credit lines.

The following table presents additional information for provisions other than provisions for expected credit losses.

| <i>USD m</i> | Litigation, regulatory and similar matters ¹ | Restructuring | Other ³ | Total 2022 |
|---|---|------------------------|--------------------|--------------|
| Balance at the beginning of the year | 2,798 | 172 | 352 | 3,322 |
| Increase in provisions recognized in the income statement | 406 | 231 | 53 | 690 |
| Release of provisions recognized in the income statement | (58) | (25) | (36) | (118) |
| Provisions used in conformity with designated purpose | (470) | (243) | (32) | (745) |
| Capitalized reinstatement costs | 0 | 0 | 1 | 1 |
| Foreign currency translation / unwind of discount | (91) | (5) | (12) | (108) |
| Balance at the end of the year | 2,586 | 130² | 326 | 3,042 |

¹ Consists of provisions for losses resulting from legal, liability and compliance risks. ² Consists of personnel-related restructuring provisions of USD 102m as of 31 December 2022 (31 December 2021: USD 125m) and provisions for onerous contracts of USD 28m as of 31 December 2022 (31 December 2021: USD 47m). ³ Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are generally used within a short period of time. The level of personnel-related provisions can change when natural staff attrition reduces the number of people affected by a restructuring event, and therefore results in lower estimated costs. Onerous contracts for property are recognized when UBS is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 17b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

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

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

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 17a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

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

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital, liquidity and funding, and balance sheet" section of this report.

Note 17 Provisions and contingent liabilities (continued)

Provisions for litigation, regulatory and similar matters by business division and in Group Functions¹

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total 2022 |
|---|--------------------------|------------------------------|------------------|-----------------|-----------------|--------------|
| Balance at the beginning of the year | 1,338 | 181 | 8 | 310 | 962 | 2,798 |
| Increase in provisions recognized in the income statement | 268 | 2 | 1 | 129 | 6 | 406 |
| Release of provisions recognized in the income statement | (23) | (15) | 0 | (8) | (12) | (58) |
| Provisions used in conformity with designated purpose | (331) | 0 | 0 | (115) | (23) | (470) |
| Reclassifications | 0 | 0 | 0 | 4 | (4) | 0 |
| Foreign currency translation / unwind of discount | (70) | (9) | 0 | (11) | 0 | (91) |
| Balance at the end of the year | 1,182 | 159 | 8 | 308 | 928 | 2,586 |

¹ Provisions, if any, for the matters described in items 3 and 4 of this Note are recorded in Global Wealth Management, and provisions, if any, for the matters described in item 2 are recorded in Group Functions. Provisions, if any, for the matters described in items 1 and 6 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking, provisions, if any, for the matters described in item 5 are allocated between the Investment Bank and Group Functions, and provisions, if any, for the matters described in item 7 are allocated between Global Wealth Management and the Investment Bank.

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.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France in relation to UBS's cross-border business with French clients. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1bn.

On 20 February 2019, the court of first instance returned a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and of laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7bn on UBS AG and UBS (France) S.A. and awarded EUR 800m of civil damages to the French state. A trial in the French Court of Appeal took place in March 2021. On 13 December 2021, the Court of Appeal found UBS AG guilty of unlawful solicitation and aggravated laundering of the proceeds of tax fraud. The court ordered a fine of EUR 3.75m, the confiscation of EUR 1bn, and awarded civil damages to the French state of EUR 800m. UBS AG has filed an appeal with the French Supreme Court to preserve its rights. The notice of appeal enables UBS AG to thoroughly assess the verdict of the Court of Appeal and to determine next steps in the best interest of its stakeholders. The fine and confiscation imposed by the Court of Appeal are suspended during the appeal. The civil damages award has been paid to the French state (EUR 99m of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 31 December 2022 reflected provisions with respect to this matter in an amount of EUR 1.1bn (USD 1.2bn). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty and the provision reflects our best estimate of possible financial implications, although actual penalties and civil damages could exceed (or may be less than) the provision amount.

Our balance sheet at 31 December 2022 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

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

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

In November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint in February 2019. In December 2019, the district court denied UBS's motion to dismiss.

Our balance sheet at 31 December 2022 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 17 Provisions and contingent liabilities (continued)

3. Madoff

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

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1bn, 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 2bn. 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 125m of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority.

Since then, UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands seeking aggregate damages of USD 3.42bn, of which USD 3.37bn have been resolved through settlements, arbitration or withdrawal of claims. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2021, the parties reached an agreement to settle this matter for USD 15m, subject to court approval.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3bn of bonds by the System in 2008 and sought damages of over USD 800m. In 2016, the court granted the System's request to join the action as a plaintiff. In 2022, a federal district court enjoined the plaintiffs from proceeding with the action on the grounds it impermissibly conflicted with Puerto Rico's approved Plan of Adjustment.

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 125m in fees in the relevant offerings.

Note 17 Provisions and contingent liabilities (continued)

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955m in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. Defendants' motions to dismiss have been granted in all three cases; those decisions are being appealed by the plaintiffs.

Our balance sheet at 31 December 2022 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

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

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with Swiss, US and United Kingdom regulators and the European Commission. UBS was granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141m 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. UBS and the other banks have reached an agreement in principle to resolve those individual matters.

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 March 2022, the court denied plaintiffs' motion for class certification.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS was granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

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

Note 17 Provisions and contingent liabilities (continued)

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims, and again dismissed the antitrust claims in 2016 following an appeal. In December 2021, the Second Circuit affirmed the district court's dismissal in part and reversed in part and remanded to the district court for further proceedings. The Second Circuit, among other things, held that there was personal jurisdiction over UBS and other foreign defendants based on allegations that at least one alleged co-conspirator undertook an overt act in the United States. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. In March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In March 2022, the Second Circuit dismissed the appeal because appellants, who had been substituted in to replace the original plaintiffs who had withdrawn, lacked standing to pursue the appeal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. Defendants moved to dismiss the complaint in September 2021. In September 2022, the court granted defendants' motion to dismiss the complaint in its entirety, while allowing plaintiffs the opportunity to file an amended complaint. Plaintiffs filed an amended complaint in October 2022, and defendants have moved to dismiss the amended complaint in November 2022.

Other benchmark class actions in the US:

Yen LIBOR / Euroyen TIBOR – In 2014, 2015 and 2017, the court in one of the Yen LIBOR / Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including the plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. In October 2022, the appeals court affirmed the dismissal on multiple grounds. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint focused on Yen LIBOR. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021. In August 2022, the court granted UBS's motion for reconsideration and dismissed the case against UBS.

CHF LIBOR – In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs appealed. In September 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings. Plaintiffs filed a third amended complaint in November 2022 and defendants have moved to dismiss the amended complaint in January 2023.

EURIBOR – In 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed.

SIBOR / SOR – In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. Plaintiffs filed an amended complaint in October 2021, which defendants moved to dismiss in November 2021. In March 2022, plaintiffs reached a settlement in principle with the remaining defendants, including UBS. The court granted final approval of the settlement in November 2022.

BBSW – In November 2018, the court dismissed the BBSW lawsuit as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs filed an amended complaint in April 2019, which UBS and other defendants moved to dismiss in May 2019. In February 2020, the court granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings, which the court denied in May 2021. In February 2022, plaintiffs reached a settlement in principle with the remaining defendants, including UBS. The court granted final approval of the settlement in November 2022.

GBP LIBOR – The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

Note 17 Provisions and contingent liabilities (continued)

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 were granted in March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. In March 2022, the court granted defendants' motion to dismiss that complaint. Plaintiffs have appealed the dismissal. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007–2011 relating to European government bonds. The European Commission fined UBS EUR 172m. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 December 2022 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

6. Swiss retrocessions

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

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

Our balance sheet at 31 December 2022 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

7. Communications recordkeeping

The SEC and CFTC conducted investigations of UBS and other financial institutions regarding compliance with records preservation requirements relating to business communications sent over unapproved electronic messaging channels. UBS cooperated with the investigations, and, in September 2022, UBS agreed to pay civil monetary penalties of USD 125m to the SEC and USD 75m to the CFTC to resolve these matters.

Note 18 Other liabilities

a) Other financial liabilities measured at amortized cost

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|--------------|--------------|
| Other accrued expenses | 1,760 | 1,876 |
| Accrued interest expenses | 1,949 | 1,094 |
| Settlement and clearing accounts | 1,075 | 1,304 |
| Lease liabilities | 3,334 | 3,558 |
| Other | 1,457 | 1,167 |
| Total other financial liabilities measured at amortized cost | 9,575 | 9,001 |

b) Other financial liabilities designated at fair value

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|---------------|---------------|
| Financial liabilities related to unit-linked investment contracts | 13,221 | 21,466 |
| Securities financing transactions | 15,333 | 6,377 |
| Over-the-counter debt instruments and other | 1,684 | 2,231 |
| Total other financial liabilities designated at fair value | 30,237 | 30,074 |

c) Other non-financial liabilities

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|--------------|---------------|
| Compensation related liabilities | 6,822 | 7,257 |
| <i>of which: Deferred Contingent Capital Plan</i> | <i>1,614</i> | <i>1,628</i> |
| <i>of which: financial advisor compensation plans</i> | <i>1,463</i> | <i>1,512</i> |
| <i>of which: other compensation plans</i> | <i>2,680</i> | <i>2,846</i> |
| <i>of which: net defined benefit liability</i> | <i>469</i> | <i>633</i> |
| <i>of which: other compensation-related liabilities¹</i> | <i>596</i> | <i>638</i> |
| Current tax liabilities | 1,071 | 1,398 |
| Deferred tax liabilities | 236 | 300 |
| VAT, withholding tax and other tax payables | 592 | 590 |
| Deferred income | 235 | 240 |
| Liabilities of disposal group held for sale ² | | 1,298 |
| Other | 84 | 68 |
| Total other non-financial liabilities | 9,040 | 11,151 |

¹ Includes liabilities for payroll taxes and untaken vacation. ² Refer to Note 29 for more information.

Additional information

Note 19 Expected credit loss measurement

a) Expected credit losses in the period

Total net credit loss expenses were USD 29m in 2022, reflecting net credit loss expenses of USD 29m related to stage 1 and 2 positions and USD 0m net credit loss expenses related to credit-impaired (stage 3) positions.

Stage 1 and 2 expected credit loss (ECL) expenses of USD 29m include USD 123m expenses related to scenario and parameter updates and USD 13m related to other book quality and size changes, partly offset by USD 77m post-model adjustment (PMA) releases and USD 30m releases related to model changes. Lending to corporate clients not secured by mortgages contributed USD 21m, mainly driven by scenario effects related to the downward revision of GDP and higher interest rate assumptions in the newly introduced *stagflationary geopolitical crisis scenario* (SGC). Lending secured by mortgages contributed USD 16m in expenses, mainly driven by scenario effects related to higher interest rate assumptions, especially from the SGC, and adverse house price assumptions from both applied downside scenarios. This was partly offset by releases from other lending of USD 9m.

› Refer to Note 19b for more information regarding changes to ECL models, scenarios, scenario weights and the post-model adjustment and to Note 19c for more information regarding the development of ECL allowances and provisions

Stage 3 net expenses of USD 0m were recognized across a number of defaulted positions, with net expenses of USD 12m in Personal and Corporate Banking and USD 5m in Global Wealth Management, offset by releases of USD 18m in the Investment Bank, including a USD 28m release for a single airline-related counterparty, mainly due to improved cashflow assumptions, and USD 10m net expenses across a number of defaulted positions.

Credit loss expense / (release)

| USD m | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|--|--------------------------------|------------------------------------|---------------------|--------------------|--------------------|--------------|
| For the year ended 31.12.22 | | | | | | |
| Stages 1 and 2 | (5) | 27 | 0 | 6 | 1 | 29 |
| Stage 3 | 5 | 12 | 0 | (18) | 2 | 0 |
| Total credit loss expense / (release) | 0 | 39 | 0 | (12) | 3 | 29 |
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | (28) | (62) | 0 | (34) | 0 | (123) |
| Stage 3 | (1) | (24) | 1 | 0 | 0 | (25) |
| Total credit loss expense / (release) | (29) | (86) | 1 | (34) | 0 | (148) |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | 48 | 129 | 0 | 88 | 0 | 266 |
| Stage 3 | 40 | 128 | 2 | 217 | 42 | 429 |
| Total credit loss expense / (release) | 88 | 257 | 2 | 305 | 42 | 694 |

Note 19 Expected credit loss measurement (continued)

b) Changes to ECL models, scenarios, scenario weights and key inputs

Refer to Note 1a for information about the principles governing expected credit loss (ECL) models, scenarios, scenario weights and key inputs applied.

Governance

Comprehensive cross-functional and cross-divisional governance processes are in place and are used to discuss and approve scenario updates and weights, to assess whether significant increases in credit risk resulted in stage transfers, to review model outputs and to reach conclusions regarding post-model adjustments.

Model changes

During 2022, the model review and enhancement process led to adjustments of the probability of default (PD), loss given default (LGD), and credit conversion factor (CCF) models, resulting in a USD 30m decrease in ECL allowances. This includes a decrease of USD 19m in Global Wealth Management affecting loans to financial advisors and specialized US lending portfolios and an USD 11m decrease in Personal & Corporate Banking related to lending to *large corporate clients* and *financial intermediaries & hedge funds*.

Scenario and key input updates

During 2022, the scenarios and related macroeconomic factors were updated from those applied at the end of 2021 by considering the prevailing economic and political conditions and uncertainty. The review focused on events that significantly changed the economic outlook during the year: the Russia–Ukraine war, with the subsequent effect on energy markets, the inflation outlook and economic growth in Europe, and rising global interest rates due to central banks' adoption of more restrictive monetary policies.

Baseline scenario: the projections of the baseline scenario, which are aligned to the economic and market assumptions used for UBS's business planning purposes, are broadly in line with external data, such as that from Bloomberg Consensus, Oxford Economics and the International Monetary Fund World Economic Outlook. The expectation for 2023 is that global growth stalls under the weight of monetary policy tightening, and continued pressure on real purchasing power due to high inflation – further fueled in Europe by the energy crisis and a lack of labor supply – even though unemployment rates are forecast to be higher than in 2022 and an energy crisis in Europe seems likely to be averted. Interest rates are expected to remain high, given the persistence of inflationary trends, leading to a less optimistic outlook for global house prices, which is cushioned in Switzerland by continued strong demand.

Global crisis scenario: The first hypothetical downside scenario, the global crisis scenario, is aligned with the Group's 2022 binding stress scenario and was updated in 2022 to reflect expected risks, resulting in minimal changes. It assumes that, while the global economy has returned to pre-pandemic levels and the immediate risks from COVID-19 have decreased, the associated disruptions and the consequences of the unprecedented monetary and fiscal stimulus measures will remain critical. Concerns regarding the sustainability of public debt, following the marked deterioration of fiscal positions, lead to a loss of confidence and market turbulence, while protectionism results in a decrease in global trade. Governments and central banks have limited scope to support the economies, and interest rate levels remain moderate. As a consequence, China suffers a hard landing which, combined with political, solvency and liquidity concerns, affects emerging markets significantly. A spillover effect leads to a contraction of the Eurozone, Swiss and US economies, as global demand is significantly affected. Given the severity of the macroeconomic impact, unemployment rates rise to historical highs and real estate sectors contract sharply.

Stagflationary geopolitical crisis scenario: The second downside scenario was changed during 2022. In light of the developments caused by Russia's invasion of Ukraine, the *mild global interest rate steepening scenario* was replaced by a *severe global interest rate steepening scenario* in the first quarter of 2022, as the beginning of the Russia–Ukraine war increased fears of higher inflation and a corresponding reaction by monetary authorities. In the second quarter of the year, the progression of the war and the enforcement of sanctions regimes led to a redesign of the scenario. The resulting *severe Russia–Ukraine conflict scenario* has similar dynamics as the severe global interest rate steepening scenario, but addressed specifically the prospect of rising energy costs, especially in Europe, with the consequences of lower growth and higher inflation rates. In the fourth quarter of 2022, UBS developed a new *stagflationary geopolitical crisis scenario* (SGC) and included this new scenario in the ECL calculation for year-end 2022 in lieu of the *severe Russia–Ukraine conflict scenario*. While the SGC scenario addresses similar risks as the *severe Russia–Ukraine conflict scenario*, it also covers additional and broader risks and therefore assumes more severe shocks. Geopolitical tensions cause an escalation of security concerns and undermine globalization. The ensuing economic regionalization leads to a surge in global commodity prices and further disruptions of supply chains and raises the specter of prolonged stagflation. The severe interest rate and adverse house price assumptions in the SGC scenario had a substantive impact on model-based ECL allowances for loans secured by mortgages in Switzerland and the US. These effects were partly offset by PMA releases related to loans secured by mortgages. Refer to the section below on "Scenario weights and post-model adjustments" for more details.

Asset price inflation scenario: The upside scenario is based on positive developments, such as an easing of geopolitical tensions across the globe and a rebound in Chinese economic growth. A combination of lower energy and commodity prices, effective monetary policies and easing supply chain disruptions helps reduce inflation. Improved consumer and business sentiment lead to an economic rebound with central banks able to normalize interest rates; asset prices increase significantly.

Note 19 Expected credit loss measurement (continued)

The table below details the key assumptions for the four scenarios applied as of 31 December 2022.

Scenario weights and post-model adjustments

Due to the less positive outlook compared with the assessment on 31 December 2021, the scenario weights changed during 2022. The upside scenario was allocated a 0% probability, and the previous 5% weight was added to the *baseline scenario*, now set at 60%. Following the introduction of the SGC, which was deemed to have a higher probability of occurring than the *global crisis scenario*, the weights were rebalanced. The SGC has a weight of 25% (compared with 10% for the *mild global interest rate steepening scenario* used as of 31 December 2021) and the weight of the *global crisis scenario* was reduced to 15% (from 30% as of 31 December 2021). The weights are also shown in the table below.

The scenarios and weight allocation were established in line with the general market sentiment that the short-term outlook is subdued and a recession in major markets is a strong probability. The downside risks in relation to inflation and monetary policy, as well as the availability and price of energy, mainly in Europe, are better reflected in our models compared with the uncertain developments caused by COVID-19 in recent years.

However, unquantifiable risks continue to be relevant, as the pandemic has not been overcome and the world may face new disruptions. Furthermore, the geopolitical situation worsened during 2022, and the impact on the world economy from escalations with unforeseeable consequences could be severe. In the near term, this uncertainty relates primarily to the development of the Russia–Ukraine war. Models, which are based on supportable statistical information from past experiences regarding interdependencies of macroeconomic factors and their implications for credit risk portfolios, cannot comprehensively reflect such extraordinary events, such as a pandemic or a fundamental change in the world political order. Rather than creating multiple additional scenarios to attempt gauging these risks and applying model parameters that lack supportable information and cannot be robustly validated, management continued to also apply PMAs.

These PMA took into account that more of the downside risks were modeled in 2022, particularly for lending secured by mortgages. The PMA amounted to USD 131m as of 31 December 2022 (31 December 2021: USD 224m). These remaining PMA for uncertainties on potentially unmodeled risk almost entirely relate to corporate lending portfolios in Personal & Corporate Banking and the Investment Bank.

Economic scenarios and weights applied

| ECL scenario | Assigned weights in % | |
|--------------------------------------|-----------------------|----------|
| | 31.12.22 | 31.12.21 |
| Asset price inflation | 0.0 | 5.0 |
| Baseline | 60.0 | 55.0 |
| Mild global interest rate steepening | 0.0 | 10.0 |
| Stagflationary geopolitical crisis | 25.0 | 0.0 |
| Global crisis | 15.0 | 30.0 |

Scenario assumptions

| 31.12.22 | One year | | | | Three years cumulative | | | |
|--|-----------------------|----------|------------------------------------|---------------|------------------------|----------|------------------------------------|---------------|
| | Asset price inflation | Baseline | Stagflationary geopolitical crisis | Global crisis | Asset price inflation | Baseline | Stagflationary geopolitical crisis | Global crisis |
| Real GDP growth (% change) | | | | | | | | |
| United States | 4.0 | (0.3) | (4.8) | (6.4) | 9.1 | 3.2 | (4.4) | (1.8) |
| Eurozone | 3.0 | 0.6 | (5.6) | (8.5) | 6.2 | 2.5 | (5.7) | (8.3) |
| Switzerland | 3.0 | 0.7 | (4.8) | (6.7) | 6.6 | 3.5 | (4.9) | (3.7) |
| Consumer price index (% change) | | | | | | | | |
| United States | 2.5 | 2.6 | 10.0 | (0.5) | 8.1 | 6.5 | 15.8 | 1.2 |
| Eurozone | 2.3 | 5.0 | 9.6 | (0.7) | 7.4 | 9.6 | 14.8 | (0.7) |
| Switzerland | 2.1 | 1.6 | 5.8 | (1.8) | 6.2 | 3.9 | 10.7 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 3.9 | 9.2 | 10.0 | 3.0 | 5.3 | 11.8 | 9.4 |
| Eurozone | 6.0 | 7.0 | 10.9 | 11.9 | 6.0 | 7.1 | 12.2 | 13.0 |
| Switzerland | 1.7 | 2.3 | 4.3 | 4.4 | 1.5 | 2.6 | 5.1 | 4.9 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 25.0 | (5.6) | 235.0 | (326.0) | 70.0 | (13.2) | 205.0 | (291.1) |
| EUR | 20.0 | 47.8 | 250.0 | (270.6) | 57.5 | 44.7 | 220.0 | (246.5) |
| CHF | 25.0 | 45.7 | 220.0 | (209.7) | 62.5 | 57.0 | 205.0 | (159.6) |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 20.0 | 7.4 | (51.5) | (50.0) | 51.7 | 22.8 | (45.6) | (27.9) |
| EuroStoxx 50 | 17.0 | 17.2 | (51.6) | (50.0) | 42.9 | 29.2 | (47.2) | (39.3) |
| SPI | 14.0 | 5.6 | (51.6) | (46.0) | 37.9 | 19.3 | (47.2) | (32.9) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 6.6 | 1.1 | (16.7) | (19.9) | 14.0 | 2.3 | (32.9) | (23.9) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case–Shiller) | 7.8 | (4.5) | (12.8) | (19.3) | 19.1 | (0.6) | (35.8) | (32.7) |
| Eurozone (House Price Index) | 7.0 | (2.7) | (8.4) | (8.9) | 15.4 | 2.0 | (14.7) | (17.5) |

Note 19 Expected credit loss measurement (continued)

| Scenario assumptions | One year | | | | Three years cumulative | | | |
|--|-----------------------|----------|--------------------------------------|---------------|------------------------|----------|--------------------------------------|---------------|
| | Asset price inflation | Baseline | Mild global interest rate steepening | Global crisis | Asset price inflation | Baseline | Mild global interest rate steepening | Global crisis |
| 31.12.21 | | | | | | | | |
| Real GDP growth (% change) | | | | | | | | |
| United States | 9.1 | 4.4 | (0.1) | (5.9) | 17.8 | 10.1 | 1.8 | (3.8) |
| Eurozone | 9.4 | 3.9 | (0.1) | (8.7) | 17.3 | 7.5 | 0.9 | (10.3) |
| Switzerland | 5.5 | 2.4 | (0.9) | (6.6) | 13.1 | 5.8 | (0.1) | (5.7) |
| Consumer price index (% change) | | | | | | | | |
| United States | 3.1 | 2.2 | 5.7 | (1.2) | 9.5 | 6.3 | 13.0 | 0.4 |
| Eurozone | 2.3 | 1.4 | 4.2 | (1.3) | 8.0 | 4.8 | 10.4 | (1.7) |
| Switzerland | 1.8 | 0.3 | 3.5 | (1.8) | 6.1 | 1.7 | 9.0 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 3.9 | 6.1 | 10.9 | 3.0 | 3.5 | 7.2 | 10.8 |
| Eurozone | 6.2 | 7.4 | 8.7 | 12.9 | 6.0 | 7.2 | 9.1 | 15.1 |
| Switzerland | 2.3 | 2.5 | 3.4 | 5.2 | 1.6 | 2.3 | 4.2 | 5.9 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 50.0 | 16.5 | 259.2 | (50.0) | 170.0 | 41.2 | 329.2 | (15.0) |
| EUR | 40.0 | 11.1 | 283.8 | (35.0) | 140.0 | 34.9 | 349.3 | (25.0) |
| CHF | 50.0 | 12.1 | 245.5 | (70.0) | 150.0 | 34.4 | 307.3 | (35.0) |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 12.0 | 14.1 | (27.0) | (50.2) | 35.5 | 24.7 | (21.8) | (40.1) |
| EuroStoxx 50 | 16.0 | 12.3 | (23.4) | (57.6) | 41.6 | 20.7 | (19.9) | (50.4) |
| SPI | 14.0 | 12.1 | (22.9) | (53.6) | 37.9 | 19.1 | (19.6) | (44.2) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 5.1 | 4.4 | (4.3) | (17.0) | 15.5 | 7.4 | (8.8) | (30.0) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case-Shiller) | 10.0 | 3.5 | (2.3) | (9.5) | 21.7 | 7.1 | (8.7) | (26.3) |
| Eurozone (House Price Index) | 8.4 | 5.1 | (4.0) | (5.4) | 17.8 | 9.6 | (7.6) | (10.8) |

c) Development of ECL allowances and provisions

The ECL allowances and provisions recognized in the period are impacted by a variety of factors, such as:

- the effect of selecting and updating forward-looking scenarios and the respective weights;
- origination of new instruments during the period;
- the effect of passage of time (lower residual lifetime PD and the effect of discount unwind) as the ECL on an instrument for the remaining lifetime decreases (all other factors remaining the same);
- derecognition of instruments in the period;
- change in individual asset quality of instruments;
- movements from a maximum 12-month ECL to the recognition of lifetime ECL (and vice versa) following transfers between stages 1 and 2;
- movements from stages 1 and 2 to stage 3 (credit-impaired status) when default has become certain and PD increases to 100% (or vice versa);
- changes in models or updates to model parameters;
- write-off; and
- foreign exchange translations for assets denominated in foreign currencies.

Note 19 Expected credit loss measurement (continued)

The table below explains the changes in the ECL allowances and provisions for on- and off-balance sheet financial instruments and credit lines in scope of ECL requirements between the beginning and the end of the period due to the factors listed above.

| Development of ECL allowances and provisions | | | | |
|--|----------------|--------------|--------------|--------------|
| USD m | Total | Stage 1 | Stage 2 | Stage 3 |
| Balance as of 31 December 2021 | (1,165) | (282) | (220) | (662) |
| Net movement from new and derecognized transactions¹ | (7) | (21) | 16 | (2) |
| of which: Private clients with mortgages | (6) | (6) | 0 | 0 |
| of which: Real estate financing | (3) | (5) | 2 | 0 |
| of which: Large corporate clients | 8 | (1) | 11 | (2) |
| of which: SME clients | (1) | (1) | 0 | 0 |
| of which: Other | (6) | (8) | 3 | 0 |
| of which: Financial intermediaries and hedge funds | 0 | (2) | 2 | 0 |
| of which: Loans to financial advisors | 0 | 0 | 0 | 0 |
| Remeasurements with stage transfers² | (65) | 20 | (39) | (46) |
| of which: Private clients with mortgages | (10) | 3 | (12) | 0 |
| of which: Real estate financing | 7 | (1) | 8 | 0 |
| of which: Large corporate clients | (33) | 16 | (28) | (21) |
| of which: SME clients | (23) | 2 | (2) | (22) |
| of which: Other | (6) | 1 | (4) | (3) |
| of which: Financial intermediaries and hedge funds | 0 | 0 | 0 | 0 |
| of which: Loans to financial advisors | 1 | 2 | (1) | 0 |
| Remeasurements without stage transfers³ | 13 | (8) | (27) | 48 |
| of which: Private clients with mortgages | (12) | 5 | (18) | 1 |
| of which: Real estate financing | 13 | 3 | 10 | 0 |
| of which: Large corporate clients | 32 | (11) | 2 | 41 |
| of which: SME clients | (6) | (10) | (9) | 14 |
| of which: Other | (15) | 5 | (12) | (8) |
| of which: Sovereigns | (8) | 0 | (8) | 0 |
| of which: Loans to financial advisors | (3) | 3 | (1) | (6) |
| Model changes⁴ | 30 | 29 | 1 | 0 |
| Movements with profit or loss impact⁵ | (29) | 20 | (49) | 0 |
| Movements without profit or loss impact (write-off, FX and other)⁶ | 104 | 3 | 1 | 99 |
| Balance as of 31 December 2022 | (1,091) | (259) | (267) | (564) |

¹ Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. ² Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. ³ Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. ⁴ Represents the change in the allowances and provisions related to changes in models and methodologies. ⁵ Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. ⁶ Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

Movements with profit or loss impact: Stages 1 and 2 ECL allowances and provisions increased on a net basis by USD 29m:

- *Net movement from new and derecognized transactions* includes USD 21m stage 1 expenses and USD 16m stage 2 releases: Stage 1 expenses are primarily driven by new loans secured by real estate. The residual effect is spread across lending segments. Stage 2 releases are largely driven by redemption of corporate loans in the Investment Bank.
- *Remeasurements with stage transfers* include USD 20m releases in stage 1 and USD 39m expenses in stage 2. This mainly includes the transfer of a few large corporate lending transactions in the Investment Bank from stage 1 to 2 (i.e., releases in stage 1 and related but generally higher expenses in stage 2), driven by rating downgrades and scenario effects.
- *Remeasurements without stage transfers* include stage 1 expenses of USD 8m and stage 2 expenses of USD 27m. These expenses of USD 35m relate to large and SME corporate lending (USD 28m), substantially due to scenario effects, and to a single sovereign counterparty (USD 8m).
- *Model changes:* refer to Note 19b for more information.

Movements without profit or loss impact: Stage 3 allowances decreased by USD 99m almost entirely due to write-offs of USD 95m.

Note 19 Expected credit loss measurement (continued)

| Development of ECL allowances and provisions | | | | |
|--|----------------|--------------|--------------|--------------|
| USD m | Total | Stage 1 | Stage 2 | Stage 3 |
| Balance as of 31 December 2020 | (1,468) | (306) | (333) | (829) |
| Net movement from new and derecognized transactions¹ | (59) | (72) | 13 | 0 |
| <i>of which: Private clients with mortgages</i> | <i>(7)</i> | <i>(10)</i> | <i>3</i> | <i>0</i> |
| <i>of which: Real estate financing</i> | <i>(7)</i> | <i>(11)</i> | <i>4</i> | <i>0</i> |
| <i>of which: Large corporate clients</i> | <i>(13)</i> | <i>(21)</i> | <i>7</i> | <i>0</i> |
| <i>of which: SME clients</i> | <i>(8)</i> | <i>(8)</i> | <i>0</i> | <i>0</i> |
| <i>of which: Other</i> | <i>(24)</i> | <i>(23)</i> | <i>(2)</i> | <i>0</i> |
| <i>of which: Financial intermediaries and hedge funds</i> | <i>(21)</i> | <i>(18)</i> | <i>(4)</i> | <i>0</i> |
| <i>of which: Loans to financial advisors</i> | <i>0</i> | <i>(1)</i> | <i>1</i> | <i>0</i> |
| Remeasurements with stage transfers² | (40) | 8 | 0 | (49) |
| <i>of which: Private clients with mortgages</i> | <i>(9)</i> | <i>4</i> | <i>(13)</i> | <i>0</i> |
| <i>of which: Real estate financing</i> | <i>(3)</i> | <i>1</i> | <i>(4)</i> | <i>0</i> |
| <i>of which: Large corporate clients</i> | <i>2</i> | <i>(2)</i> | <i>12</i> | <i>(8)</i> |
| <i>of which: SME clients</i> | <i>(27)</i> | <i>5</i> | <i>4</i> | <i>(36)</i> |
| <i>of which: Other</i> | <i>(3)</i> | <i>0</i> | <i>2</i> | <i>(4)</i> |
| <i>of which: Financial intermediaries and hedge funds</i> | <i>2</i> | <i>(1)</i> | <i>3</i> | <i>0</i> |
| <i>of which: Loans to financial advisors</i> | <i>0</i> | <i>1</i> | <i>(1)</i> | <i>0</i> |
| Remeasurements without stage transfers³ | 203 | 55 | 74 | 74 |
| <i>of which: Private clients with mortgages</i> | <i>33</i> | <i>8</i> | <i>26</i> | <i>(1)</i> |
| <i>of which: Real estate financing</i> | <i>30</i> | <i>13</i> | <i>13</i> | <i>3</i> |
| <i>of which: Large corporate clients</i> | <i>44</i> | <i>5</i> | <i>21</i> | <i>17</i> |
| <i>of which: SME clients</i> | <i>53</i> | <i>(1)</i> | <i>1</i> | <i>53</i> |
| <i>of which: Other</i> | <i>44</i> | <i>29</i> | <i>14</i> | <i>2</i> |
| <i>of which: Financial intermediaries and hedge funds</i> | <i>27</i> | <i>15</i> | <i>12</i> | <i>0</i> |
| <i>of which: Loans to financial advisors</i> | <i>6</i> | <i>8</i> | <i>1</i> | <i>(3)</i> |
| Model changes⁴ | 45 | 29 | 16 | 0 |
| Movements with profit or loss impact⁵ | 148 | 19 | 104 | 25 |
| Movements without profit or loss impact (write-off, FX and other)⁶ | 154 | 5 | 9 | 141 |
| Balance as of 31 December 2021 | (1,165) | (282) | (220) | (662) |

1 Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. 2 Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. 3 Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. 4 Represents the change in the allowances and provisions related to changes in models and methodologies. 5 Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. 6 Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

As explained in Note 1a, the assessment of a significant increase in credit risk (SICR) considers a number of qualitative and quantitative factors to determine whether a stage transfer between stage 1 and stage 2 is required, although the primary assessment considers changes in PD based on rating analyses and economic outlook. Additionally, UBS takes into consideration counterparties that have moved to a credit watch list and those with payments that are at least 30 days past due.

ECL stage 2 ("significant deterioration in credit risk") allowances / provisions as of 31 December 2022 – classification by trigger

| USD m | Stage 2 | of which: PD layer | of which: watch list | of which: ≥30 days past due |
|---|--------------|-----------------------|-------------------------|-----------------------------------|
| On- and off-balance sheet | (267) | (196) | (21) | (50) |
| <i>of which: Private clients with mortgages</i> | <i>(107)</i> | <i>(83)</i> | <i>0</i> | <i>(25)</i> |
| <i>of which: Real estate financing</i> | <i>(23)</i> | <i>(18)</i> | <i>0</i> | <i>(5)</i> |
| <i>of which: Large corporate clients</i> | <i>(65)</i> | <i>(51)</i> | <i>(13)</i> | <i>0</i> |
| <i>of which: SME clients</i> | <i>(37)</i> | <i>(22)</i> | <i>(7)</i> | <i>(7)</i> |
| <i>of which: Financial intermediaries and hedge funds</i> | <i>(17)</i> | <i>(17)</i> | <i>0</i> | <i>0</i> |
| <i>of which: Loans to financial advisors</i> | <i>(2)</i> | <i>0</i> | <i>0</i> | <i>(2)</i> |
| <i>of which: Credit cards</i> | <i>(12)</i> | <i>0</i> | <i>0</i> | <i>(12)</i> |
| <i>of which: Other</i> | <i>(5)</i> | <i>(5)</i> | <i>0</i> | <i>0</i> |

Note 19 Expected credit loss measurement (continued)

d) Maximum exposure to credit risk

The tables below provide the Group's maximum exposure to credit risk for financial instruments subject to ECL requirements and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of International Financial Reporting Standards (IFRS).

Maximum exposure to credit risk

| | 31.12.22 | | | | | | | | |
|---|---------------------------------|---------------------------|---|------------------------|-------------------------------|----------------------------------|-----------------------------|------------|--|
| | Maximum exposure to credit risk | Collateral ^{1,2} | | | | Credit enhancements ¹ | | | Exposure to credit risk after collateral and credit enhancements |
| | | Cash collateral received | Collateralized by equity and debt instruments | Secured by real estate | Other collateral ³ | Netting | Credit derivative contracts | Guarantees | |
| <i>USD bn</i> | | | | | | | | | |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 169.4 | | | | | | | | 169.4 |
| Loans and advances to banks ⁴ | 14.8 | | 0.0 | | | | | 0.1 | 14.7 |
| Receivables from securities financing transactions measured at amortized cost | 67.8 | 0.0 | 64.5 | | 2.4 | | | | 0.9 |
| Cash collateral receivables on derivative instruments ^{5,6} | 35.0 | | | | | 22.9 | | | 12.1 |
| Loans and advances to customers | 387.2 | 33.6 | 115.9 | 197.8 | 19.6 | | | 3.0 | 17.3 |
| Other financial assets measured at amortized cost | 53.3 | 0.1 | 0.5 | 0.0 | 1.3 | | | | 51.3 |
| Total financial assets measured at amortized cost | 727.6 | 33.7 | 181.0 | 197.9 | 23.4 | 22.9 | 0.0 | 3.0 | 265.8 |
| Financial assets measured at fair value through other comprehensive income – debt | | | | | | | | | |
| | 2.2 | | | | | | | | 2.2 |
| Total maximum exposure to credit risk reflected on the balance sheet within the scope of ECL | 729.8 | 33.7 | 181.0 | 197.9 | 23.4 | 22.9 | 0.0 | 3.0 | 268.0 |
| Guarantees ⁷ | 22.1 | 1.2 | 9.3 | 0.1 | 2.0 | | | 1.8 | 7.7 |
| Loan commitments ⁷ | 39.9 | 0.2 | 3.1 | 1.3 | 6.5 | | 0.1 | 1.0 | 27.8 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 3.8 | | 3.8 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 41.4 | 0.2 | 8.2 | 6.0 | 6.2 | | | 0.5 | 20.2 |
| Total maximum exposure to credit risk not reflected on the balance sheet within the scope of ECL | 107.2 | 1.6 | 24.4 | 7.5 | 14.7 | 0.0 | 0.1 | 3.3 | 55.7 |
| 31.12.21 | | | | | | | | | |
| | Maximum exposure to credit risk | Collateral ^{1,2} | | | | Credit enhancements ¹ | | | Exposure to credit risk after collateral and credit enhancements |
| | | Cash collateral received | Collateralized by equity and debt instruments | Secured by real estate | Other collateral ³ | Netting | Credit derivative contracts | Guarantees | |
| <i>USD bn</i> | | | | | | | | | |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 192.8 | | | | | | | | 192.8 |
| Loans and advances to banks ⁴ | 15.5 | | 0.1 | | | | | 0.1 | 15.3 |
| Receivables from securities financing transactions measured at amortized cost | 75.0 | 0.0 | 68.0 | | 6.9 | | | | 0.0 |
| Cash collateral receivables on derivative instruments ^{5,6} | 30.5 | | | | | 18.4 | | | 12.1 |
| Loans and advances to customers | 397.8 | 37.5 | 128.7 | 191.3 | 20.2 | | | 4.0 | 16.2 |
| Other financial assets measured at amortized cost | 26.2 | 0.2 | 0.1 | 0.0 | 1.3 | | | | 24.6 |
| Total financial assets measured at amortized cost | 737.8 | 37.7 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 261.0 |
| Financial assets measured at fair value through other comprehensive income – debt | | | | | | | | | |
| | 8.8 | | | | | | | | 8.8 |
| Total maximum exposure to credit risk reflected on the balance sheet within the scope of ECL | 746.6 | 37.7 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 269.8 |
| Guarantees ⁷ | 20.9 | 1.3 | 6.5 | 0.2 | 2.5 | | | 2.3 | 8.1 |
| Loan commitments ⁷ | 39.4 | 0.5 | 4.0 | 2.4 | 7.3 | | 0.3 | 1.7 | 23.1 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 1.4 | | 1.4 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 40.7 | 0.3 | 9.0 | 6.2 | 3.9 | | | 0.5 | 20.9 |
| Total maximum exposure to credit risk not reflected on the balance sheet within the scope of ECL | 102.5 | 2.2 | 20.9 | 8.7 | 13.7 | 0.0 | 0.3 | 4.5 | 52.1 |

1 Of which: USD 1,372m for 31 December 2022 (31 December 2021: USD 1,443m) relates to total credit-impaired financial assets measured at amortized cost and USD 113m for 31 December 2022 (31 December 2021: USD 130m) to total off-balance sheet financial instruments and credit lines for credit-impaired positions. 2 Collateral arrangements generally incorporate a range of collateral, including cash, equity and debt instruments, real estate and other collateral. UBS applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. 3 Includes but is not limited to life insurance contracts, inventory, mortgage loans, gold and other commodities. 4 Loans and advances to banks include amounts held with third-party banks on behalf of clients. The credit risk associated with these balances may be borne by those clients. 5 Included within Cash collateral receivables on derivative instruments are margin balances due from exchanges or clearing houses. Some of these margin balances reflect amounts transferred on behalf of clients who retain the associated credit risk. 6 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 21 for more information. 7 The amount shown in the "Guarantees" column includes sub-participations.

Note 19 Expected credit loss measurement (continued)

e) Financial assets subject to credit risk by rating category

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. Under IFRS 9, the credit risk rating reflects the Group's assessment of the probability of default of individual counterparties, prior to substitutions. The amounts presented are gross of impairment allowances.

› Refer to the "Risk management and control" section of this report for more details regarding the Group's internal grading system

Financial assets subject to credit risk by rating category

| | 31.12.22 | | | | | | | | | |
|--|----------------|----------------|---------------|----------------|---------------|-----------------------------|-----------------------------|----------------|---|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) | |
| Financial assets measured at amortized cost | | | | | | | | | | |
| Cash and balances at central banks | 168,525 | 877 | 0 | 0 | 56 | 0 | 169,457 | (12) | 169,445 | |
| of which: stage 1 | 168,525 | 877 | 0 | 0 | 0 | 0 | 169,402 | 0 | 169,402 | |
| of which: stage 2 | 0 | 0 | 0 | 0 | 56 | 0 | 56 | (12) | 44 | |
| Loans and advances to banks | 862 | 12,257 | 860 | 440 | 379 | 0 | 14,798 | (6) | 14,792 | |
| of which: stage 1 | 862 | 12,257 | 860 | 440 | 378 | 0 | 14,797 | (5) | 14,792 | |
| of which: stage 2 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | (1) | 1 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Receivables from securities financing transactions measured at amortized cost | 27,158 | 15,860 | 8,870 | 15,207 | 721 | 0 | 67,816 | (2) | 67,814 | |
| of which: stage 1 | 27,158 | 15,860 | 8,870 | 15,207 | 721 | 0 | 67,816 | (2) | 67,814 | |
| Cash collateral receivables on derivative instruments | 10,613 | 12,977 | 7,138 | 4,157 | 147 | 0 | 35,033 | 0 | 35,032 | |
| of which: stage 1 | 10,613 | 12,977 | 7,138 | 4,157 | 147 | 0 | 35,033 | 0 | 35,032 | |
| Loans and advances to customers | 6,491 | 214,473 | 68,356 | 74,732 | 21,939 | 2,012 | 388,003 | (783) | 387,220 | |
| of which: stage 1 | 6,491 | 212,980 | 66,114 | 68,034 | 16,605 | 0 | 370,224 | (129) | 370,095 | |
| of which: stage 2 | 0 | 1,493 | 2,242 | 6,698 | 5,334 | 0 | 15,767 | (180) | 15,587 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 2,012 | 2,012 | (474) | 1,538 | |
| Other financial assets measured at amortized cost | 29,011 | 16,632 | 447 | 6,600 | 450 | 210 | 53,350 | (86) | 53,264 | |
| of which: stage 1 | 29,011 | 16,630 | 427 | 6,317 | 336 | 0 | 52,721 | (17) | 52,704 | |
| of which: stage 2 | 0 | 2 | 20 | 283 | 114 | 0 | 419 | (6) | 413 | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 210 | 210 | (63) | 147 | |
| Total financial assets measured at amortized cost | 242,660 | 273,076 | 85,671 | 101,136 | 23,693 | 2,222 | 728,457 | (889) | 727,568 | |
| On-balance sheet financial instruments | | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 1,307 | 840 | 0 | 92 | 0 | 0 | 2,239 | 0 | 2,239 | |
| Total on-balance sheet financial instruments | 243,966 | 273,916 | 85,671 | 101,228 | 23,693 | 2,222 | 730,696 | (889) | 729,807 | |

Off-balance sheet positions subject to expected credit loss by rating category

| | 31.12.22 | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|--------------|-----------------------------|--|----------------|--|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total off-balance sheet exposure (maximum exposure to credit risk) | ECL provisions | | |
| Off-balance sheet financial instruments | | | | | | | | | | |
| Guarantees | 7,252 | 5,961 | 4,772 | 3,049 | 1,025 | 108 | 22,167 | (48) | | |
| of which: stage 1 | 7,252 | 5,917 | 3,812 | 2,229 | 596 | 0 | 19,805 | (13) | | |
| of which: stage 2 | 0 | 44 | 960 | 821 | 429 | 0 | 2,254 | (9) | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 108 | 108 | (26) | | |
| Irrevocable loan commitments | 1,770 | 14,912 | 6,986 | 10,097 | 6,107 | 124 | 39,996 | (111) | | |
| of which: stage 1 | 1,770 | 14,789 | 6,818 | 9,625 | 4,529 | 0 | 37,531 | (59) | | |
| of which: stage 2 | 0 | 123 | 168 | 472 | 1,578 | 0 | 2,341 | (52) | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 124 | 124 | 0 | | |
| Forward starting reverse repurchase and securities borrowing agreements | 2,781 | 2 | 11 | 1,007 | 0 | 0 | 3,801 | 0 | | |
| Total off-balance sheet financial instruments | 11,803 | 20,874 | 11,769 | 14,153 | 7,132 | 233 | 65,964 | (159) | | |
| Credit lines | | | | | | | | | | |
| Committed unconditionally revocable credit lines | 2,288 | 15,918 | 9,247 | 10,162 | 3,739 | 36 | 41,390 | (40) | | |
| of which: stage 1 | 2,288 | 15,213 | 8,960 | 9,631 | 3,429 | 0 | 39,521 | (32) | | |
| of which: stage 2 | 0 | 705 | 287 | 531 | 310 | 0 | 1,833 | (8) | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 36 | 36 | 0 | | |
| Irrevocable committed prolongation of existing loans | 7 | 1,939 | 1,489 | 868 | 392 | 2 | 4,696 | (2) | | |
| of which: stage 1 | 7 | 1,938 | 1,411 | 864 | 380 | 0 | 4,600 | (2) | | |
| of which: stage 2 | 0 | 1 | 78 | 4 | 11 | 0 | 94 | 0 | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 | | |
| Total credit lines | 2,295 | 17,857 | 10,736 | 11,030 | 4,131 | 37 | 46,086 | (42) | | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Note 19 Expected credit loss measurement (continued)

Financial assets subject to credit risk by rating category

| USD m | | 31.12.21 | | | | | | | | Net carrying amount (maximum exposure to credit risk) |
|--|----------------|----------------|---------------|---------------|---------------|-----------------------------|-----------------------------|----------------|--|---|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | | |
| Financial assets measured at amortized cost | | | | | | | | | | |
| Cash and balances at central banks | 191,015 | 1,802 | 0 | 0 | 0 | 0 | 192,817 | 0 | | 192,817 |
| <i>of which: stage 1</i> | <i>191,015</i> | <i>1,802</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>192,817</i> | <i>0</i> | | <i>192,817</i> |
| Loans and advances to banks | 407 | 12,623 | 1,171 | 795 | 490 | 1 | 15,488 | (8) | | 15,480 |
| <i>of which: stage 1</i> | <i>407</i> | <i>12,623</i> | <i>1,146</i> | <i>795</i> | <i>488</i> | <i>0</i> | <i>15,460</i> | <i>(7)</i> | | <i>15,453</i> |
| <i>of which: stage 2</i> | <i>0</i> | <i>0</i> | <i>24</i> | <i>0</i> | <i>2</i> | <i>0</i> | <i>27</i> | <i>(1)</i> | | <i>26</i> |
| <i>of which: stage 3</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>1</i> | <i>1</i> | <i>0</i> | | <i>1</i> |
| Receivables from securities financing transactions measured at amortized cost | | | | | | | | | | |
| | 34,386 | 11,267 | 10,483 | 17,440 | 1,439 | 0 | 75,014 | (2) | | 75,012 |
| <i>of which: stage 1</i> | <i>34,386</i> | <i>11,267</i> | <i>10,483</i> | <i>17,440</i> | <i>1,439</i> | <i>0</i> | <i>75,014</i> | <i>(2)</i> | | <i>75,012</i> |
| Cash collateral receivables on derivative instruments | | | | | | | | | | |
| | 7,466 | 13,476 | 5,878 | 3,647 | 47 | 0 | 30,514 | 0 | | 30,514 |
| <i>of which: stage 1</i> | <i>7,466</i> | <i>13,476</i> | <i>5,878</i> | <i>3,647</i> | <i>47</i> | <i>0</i> | <i>30,514</i> | <i>0</i> | | <i>30,514</i> |
| Loans and advances to customers | | | | | | | | | | |
| | 5,295 | 232,233 | 67,620 | 69,892 | 21,423 | 2,148 | 398,611 | (850) | | 397,761 |
| <i>of which: stage 1</i> | <i>5,295</i> | <i>231,153</i> | <i>65,084</i> | <i>62,796</i> | <i>16,362</i> | <i>0</i> | <i>380,690</i> | <i>(126)</i> | | <i>380,564</i> |
| <i>of which: stage 2</i> | <i>0</i> | <i>1,080</i> | <i>2,536</i> | <i>7,096</i> | <i>5,061</i> | <i>0</i> | <i>15,773</i> | <i>(152)</i> | | <i>15,620</i> |
| <i>of which: stage 3</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>2,148</i> | <i>2,148</i> | <i>(572)</i> | | <i>1,577</i> |
| Other financial assets measured at amortized cost | | | | | | | | | | |
| | 12,564 | 6,702 | 321 | 6,072 | 394 | 264 | 26,318 | (109) | | 26,209 |
| <i>of which: stage 1</i> | <i>12,564</i> | <i>6,693</i> | <i>307</i> | <i>5,863</i> | <i>317</i> | <i>0</i> | <i>25,745</i> | <i>(27)</i> | | <i>25,718</i> |
| <i>of which: stage 2</i> | <i>0</i> | <i>10</i> | <i>13</i> | <i>209</i> | <i>77</i> | <i>0</i> | <i>309</i> | <i>(7)</i> | | <i>302</i> |
| <i>of which: stage 3</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>264</i> | <i>264</i> | <i>(76)</i> | | <i>189</i> |
| Total financial assets measured at amortized cost | | | | | | | | | | |
| | 251,133 | 278,103 | 85,472 | 97,846 | 23,793 | 2,414 | 738,762 | (969) | | 737,794 |
| On-balance sheet financial instruments | | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | | | | | | | | | | |
| | 3,996 | 4,771 | 0 | 77 | 0 | 0 | 8,844 | 0 | | 8,844 |
| Total on-balance sheet financial instruments | | | | | | | | | | |
| | 255,130 | 282,874 | 85,472 | 97,923 | 23,793 | 2,414 | 747,606 | (969) | | 746,638 |

Off-balance sheet positions subject to expected credit loss by rating category

| USD m | | 31.12.21 | | | | | | | | Total off-balance sheet exposure (maximum exposure to credit risk) | ECL provisions |
|--|--------------|---------------|---------------|---------------|--------------|-----------------------------|--|---------------|--|--|----------------|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | | | | | |
| Off-balance sheet financial instruments | | | | | | | | | | | |
| Guarantees | 4,457 | 7,064 | 4,535 | 3,757 | 1,009 | 150 | | 20,972 | | (41) | |
| <i>of which: stage 1</i> | <i>4,457</i> | <i>7,037</i> | <i>4,375</i> | <i>3,075</i> | <i>752</i> | <i>0</i> | | <i>19,695</i> | | <i>(18)</i> | |
| <i>of which: stage 2</i> | <i>0</i> | <i>27</i> | <i>160</i> | <i>682</i> | <i>258</i> | <i>0</i> | | <i>1,127</i> | | <i>(8)</i> | |
| <i>of which: stage 3</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>150</i> | | <i>150</i> | | <i>(15)</i> | |
| Irrevocable loan commitments | 2,797 | 14,183 | 7,651 | 8,298 | 6,502 | 46 | | 39,478 | | (114) | |
| <i>of which: stage 1</i> | <i>2,797</i> | <i>13,917</i> | <i>7,416</i> | <i>7,127</i> | <i>5,840</i> | <i>0</i> | | <i>37,097</i> | | <i>(72)</i> | |
| <i>of which: stage 2</i> | <i>0</i> | <i>266</i> | <i>235</i> | <i>1,171</i> | <i>663</i> | <i>0</i> | | <i>2,335</i> | | <i>(42)</i> | |
| <i>of which: stage 3</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>46</i> | | <i>46</i> | | <i>0</i> | |
| Forward starting reverse repurchase and securities borrowing agreements | 0 | 0 | 55 | 1,389 | 0 | 0 | | 1,444 | | 0 | |
| Total off-balance sheet financial instruments | | | | | | | | | | | |
| | 7,254 | 21,247 | 12,241 | 13,444 | 7,512 | 196 | | 61,894 | | (155) | |
| Credit lines | | | | | | | | | | | |
| Committed unconditionally revocable credit lines | | | | | | | | | | | |
| | 2,636 | 15,594 | 8,627 | 9,752 | 4,107 | 63 | | 40,778 | | (38) | |
| <i>of which: stage 1</i> | <i>2,636</i> | <i>15,250</i> | <i>8,304</i> | <i>8,346</i> | <i>3,671</i> | <i>0</i> | | <i>38,207</i> | | <i>(28)</i> | |
| <i>of which: stage 2</i> | <i>0</i> | <i>344</i> | <i>323</i> | <i>1,406</i> | <i>436</i> | <i>0</i> | | <i>2,508</i> | | <i>(10)</i> | |
| <i>of which: stage 3</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>63</i> | | <i>63</i> | | <i>0</i> | |
| Irrevocable committed prolongation of existing loans | | | | | | | | | | | |
| | 17 | 2,438 | 1,422 | 1,084 | 602 | 48 | | 5,611 | | (3) | |
| <i>of which: stage 1</i> | <i>17</i> | <i>2,438</i> | <i>1,422</i> | <i>1,082</i> | <i>568</i> | <i>0</i> | | <i>5,527</i> | | <i>(3)</i> | |
| <i>of which: stage 2</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>1</i> | <i>34</i> | <i>0</i> | | <i>36</i> | | <i>0</i> | |
| <i>of which: stage 3</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>48</i> | | <i>48</i> | | <i>0</i> | |
| Total credit lines | | | | | | | | | | | |
| | 2,653 | 18,032 | 10,049 | 10,836 | 4,709 | 111 | | 46,390 | | (41) | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Note 19 Expected credit loss measurement (continued)

f) Sensitivity information

As outlined in Note 1a, ECL estimates involve significant uncertainties at the time they are made.

ECL models

The models applied to determine point-in-time PD and LGD rely on market and statistical data, which has been found to correlate well with historically observed defaults in sufficiently homogeneous segments. The risk sensitivities for each of the ECL reporting segments to such factors are summarized in Note 9.

Sustainability and climate risk

Sustainability and climate risk (SCR) may negatively affect clients or portfolios due to direct or indirect transition costs, or exposure to physical risks in locations likely to be impacted by climate change. Such effects could lead to a deterioration in credit worthiness, which in turn would have an impact on ECLs.

While some indicators that are more influenced by climate change (e.g., energy prices) are factored into the current PD models where they have demonstrated statistical relevance, UBS currently does not use a specific SCR scenario in addition to the four general economic scenarios applied to derive the weighted-average ECL. The rationale for the approach at this point in time is the significance of model risks and challenges in calibration and probability weight assessment given the paucity of data.

Instead, UBS focuses on the process of vetting clients and business transactions and takes individual actions, where transition risk is deemed to be a significant driver of a counterparty's credit worthiness. This review process may lead to a downward revision of the counterparty's credit rating, or the adoption of risk mitigating actions, and hence affect the individual contribution to ECLs.

At the portfolio level, UBS has started to use stress loss assumptions to assess the extent to which SCR may affect the quality of the loans extended to small and medium-sized entities and large corporate clients. Initial tests were based on a set of assumptions presented by external parties (such as the Bank of England). Such analysis undertaken during 2022 concluded that the counterparties are not expected to be significantly impacted by physical or transition risks, mainly as there are no material risk concentrations in high-risk sectors. The analysis of the corporate loan book has also shown that any potential significant impacts from transition costs or physical risks would materialize over a time horizon that exceeds in most cases the contractual lifetime of the underlying assets. Based on current information on regulatory developments, this would also apply to the portfolio of private clients' mortgages and real estate financing, given the long lead times for investments in upgrading the housing stock.

As a result of the aforementioned factors, it was assessed that the magnitude of any impact of SCR on the weighted-average ECL would not be material as of 31 December 2022. Therefore, no specific post-model adjustment was made in this regard.

- › Refer to "Sustainability and climate risk" in the "Risk management and control" section of this report
- › Refer to "Our focus on sustainability and climate" in the "Our strategy, business model and environment" section of this report
- › Refer to "UBS AG consolidated supplemental disclosures required under SEC regulations" for the maturity profile of UBS core loan book

Forward-looking scenarios

Depending on the scenario selection and related macroeconomic assumptions for the risk factors, the components of the relevant weighted-average ECL change. This is particularly relevant for interest rates, which can move in both directions under a given growth assumption, e.g., low growth with high interest rates in a stagflation scenario, versus low growth and falling interest rates in a recession. Management generally looks for scenario narratives that reflect the key risk drivers of a given credit portfolio.

As forecasting models are complex, due to the combination of multiple factors, simple what-if analyses involving a change of individual parameters do not necessarily provide realistic information on the exposure of segments to changes in the macroeconomy. Portfolio-specific analyses based on their key risk factors would also not be meaningful, as potential compensatory effects in other segments would be ignored. The table below indicates some sensitivities to ECLs, if a key macroeconomic variable for the forecasting period is amended across all scenarios with all other factors remaining unchanged.

Note 19 Expected credit loss measurement (continued)

Potential effect on stage 1 and stage 2 positions from changing key parameters as of 31 December 2022

| USD m | 100% Baseline | 100% Stagflationary geopolitical crisis | 100% Global crisis | Weighted average |
|--|---------------|---|--------------------|------------------|
| Change in key parameters | | | | |
| Fixed income: Government bonds (absolute change) | | | | |
| -0.50% | (3) | (106) | (2) | (14) |
| +0.50% | 4 | 124 | 2 | 17 |
| +1.00% | 8 | 264 | 10 | 37 |
| Unemployment rate (absolute change) | | | | |
| -1.00% | (4) | (138) | (24) | (23) |
| -0.50% | (2) | (78) | (13) | (12) |
| +0.50% | 3 | 84 | 16 | 15 |
| +1.00% | 5 | 179 | 32 | 31 |
| Real GDP growth (relative change) | | | | |
| -2.00% | 7 | 13 | 18 | 11 |
| -1.00% | 3 | 7 | 9 | 5 |
| +1.00% | (3) | (7) | (9) | (5) |
| +2.00% | (5) | (13) | (18) | (10) |
| House Price Index (relative change) | | | | |
| -5.00% | 15 | 196 | 88 | 56 |
| -2.50% | 7 | 92 | 40 | 25 |
| +2.50% | (4) | (83) | (35) | (19) |
| +5.00% | (7) | (157) | (65) | (36) |
| Equity (S&P500, EuroStoxx, SMI) (relative change) | | | | |
| -10.00% | 4 | 7 | 6 | 5 |
| -5.00% | 2 | 3 | 3 | 2 |
| +5.00% | (2) | (4) | (3) | (2) |
| +10.00% | (4) | (8) | (7) | (5) |

Sensitivities can be more meaningfully assessed in the context of coherent scenarios with consistently developed macroeconomic factors. The table above outlines favorable and unfavorable effects, based on reasonably possible alternative changes to the economic conditions for stage 1 and stage 2 positions. The ECL impact is calculated for material portfolios and disclosed for each scenario.

The forecasting horizon is limited to three years, with a model-based mean reversion of PD and LGD assumed thereafter. Changes to these timelines may have an effect on ECLs: depending on the cycle, a longer or shorter forecasting horizon will lead to different annualized lifetime PD and average LGD estimations. This is currently not deemed to be material for UBS, as a large proportion of loans, including mortgages in Switzerland, have maturities that are within the forecasting horizon.

Scenario weights and stage allocation

Potential effect on stage 1 and stage 2 positions from changing scenario weights or moving to an ECL lifetime calculation as of 31 December 2022

| Scenarios | Actual ECL allowances and provisions, including staging (as per Note 9) | Pro forma ECL allowances and provisions, including staging and assuming application of 100% scenario weighting | | | | Pro forma ECL allowances and provisions, assuming all positions being subject to lifetime ECL |
|--------------------------------------|---|--|---------------|----------------------------|---|---|
| | | Weighted average | 100% Baseline | 100% Asset price inflation | 100% Stagflationary geopolitical crisis | |
| <i>USD m, except where indicated</i> | | | | | | |
| Segmentation | | | | | | |
| Private clients with mortgages | (136) | (25) | (13) | (523) | (184) | (473) |
| Real estate financing | (43) | (26) | (22) | (176) | (30) | (126) |
| Large corporate clients | (136) | (97) | (84) | (199) | (174) | (235) |
| SME clients | (86) | (67) | (66) | (162) | (97) | (153) |
| Other segments | (125) | (114) | (111) | (145) | (153) | (281) |
| Total | (526) | (329) | (295) | (1,204) | (638) | (1,267) |

Scenario weights

ECL is sensitive to changing scenario weights, in particular if narratives and parameters are selected that are not close to the baseline scenario, highlighting the non-linearity of credit losses.

As shown in the table above, the ECLs for stage 1 and stage 2 positions would have been USD 329m (31 December 2021: USD 387m) instead of USD 526m (31 December 2021: USD 503m) if ECLs had been determined solely on the *baseline scenario*. The weighted-average ECL therefore amounted to 160% (31 December 2021: 130%) of the baseline value. The effects of weighting each of the four scenarios 100% are shown in the table above.

Note 19 Expected credit loss measurement (continued)

Stage allocation and SICR

The determination of what constitutes an SICR is based on management judgment, as explained in Note 1a. Changing the SICR trigger will have a direct effect on ECLs, as more or fewer positions would be subject to lifetime ECLs under any scenario.

The relevance of the SICR trigger on overall ECL is demonstrated in the table above with the indication that the ECL allowances and provisions for stage 1 and stage 2 positions would have been USD 1,267m, if all non-impaired positions across the portfolio had been measured for lifetime ECLs irrespective of their actual SICR status. This amount compares with actual stage 1 and 2 allowances and provisions of USD 526m as of 31 December 2022.

Maturity profile

The maturity profile is an important driver in ECLs, in particular for transactions in stage 2. A transfer of a transaction into stage 2 may therefore have a significant effect on ECLs. The current maturity profile of most lending books is relatively short.

Lending to large corporate clients is generally between one and two years, with related loan commitments up to four years. Real estate lending is generally between two and three years in Switzerland, with long dated maturities in the US. Lombard-lending contracts typically have average contractual maturities of 12 months or less, and include callable features.

A significant portion of our lending to SMEs and Real estate financings is documented under multi-purpose credit agreements, which allow for various forms of utilization but are unconditionally cancelable by UBS at any time: a) for drawings under such agreements with a fixed maturity, the respective term is applied for ECL calculations, or a maximum of 12 months in stage 1; b) for unused credit lines and all drawings that have no fixed maturity (e.g., current accounts), UBS generally applies a 12-month maturity from the reporting date, given the credit review policies, which require either continuous monitoring of key indicators and behavioral patterns for smaller positions or an annual formal review for any other limit. The ECLs for these products are sensitive to shortening or extending the maturity assumption.

Note 20 Fair value measurement

a) Valuation principles

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels in accordance with International Financial Reporting Standards (IFRS). The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which an instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Fair values are determined using quoted prices in active markets for identical assets or liabilities, where available. Where the market for a financial instrument or non-financial asset or liability is not active, fair value is established using a valuation technique, including pricing models. Valuation adjustments may be made to allow for additional factors, including model, liquidity, credit and funding risks, which are not explicitly captured within the valuation technique, but which would nevertheless be considered by market participants when establishing a price. The limitations inherent in a particular valuation technique are considered in the determination of the classification of an asset or liability within the fair value hierarchy. Generally, the unit of account for a financial instrument is the individual instrument, and UBS applies valuation adjustments at an individual instrument level, consistent with that unit of account. However, if certain conditions are met, UBS may estimate the fair value of a portfolio of financial assets and liabilities with substantially similar and offsetting risk exposures on the basis of the net open risks.

› Refer to Note 20d for more information

b) Valuation governance

UBS's fair value measurement and model governance framework includes numerous controls and other procedural safeguards that are intended to maximize the quality of fair value measurements reported in the financial statements. New products and valuation techniques must be reviewed and approved by key stakeholders from the risk and finance control functions. Responsibility for the ongoing measurement of financial and non-financial instruments at fair value is with the business divisions.

Note 20 Fair value measurement (continued)

Fair value estimates are validated by the risk and finance control functions, which are independent of the business divisions. Independent price verification is performed by Finance through benchmarking the business divisions' fair value estimates with observable market prices and other independent sources. A governance framework and associated controls are in place in order to monitor the quality of third-party pricing sources where used. For instruments where valuation models are used to determine fair value, independent valuation and model control groups within Finance and Risk Control evaluate UBS's models on a regular basis, including valuation and model input parameters, as well as pricing. As a result of the valuation controls employed, valuation adjustments may be made to the business divisions' estimates of fair value to align with independent market data and the relevant accounting standard.

› Refer to Note 20d for more information

c) Fair value hierarchy

The table below provides the fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value. The narrative that follows describes valuation techniques used in measuring their fair value of different product types (including significant valuation inputs and assumptions used), and the factors considered in determining their classification within the fair value hierarchy.

During 2022, assets and liabilities that were transferred from Level 2 to Level 1, or from Level 1 to Level 2, and were held for the entire reporting period were not material.

Determination of fair values from quoted market prices or valuation techniques¹

| USD m | 31.12.22 | | | | 31.12.21 | | | |
|--|----------------|----------------|--------------|----------------|----------------|----------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value on a recurring basis | | | | | | | | |
| Financial assets at fair value held for trading | 96,241 | 10,138 | 1,488 | 107,866 | 113,697 | 14,825 | 2,299 | 130,821 |
| of which: Equity instruments | 83,074 | 789 | 126 | 83,988 | 97,958 | 1,090 | 149 | 99,197 |
| of which: Government bills / bonds | 5,496 | 950 | 18 | 6,464 | 7,135 | 1,351 | 10 | 8,496 |
| of which: Investment fund units | 6,673 | 596 | 61 | 7,330 | 7,843 | 1,364 | 21 | 9,229 |
| of which: Corporate and municipal bonds | 976 | 6,363 | 541 | 7,880 | 708 | 7,604 | 556 | 8,868 |
| of which: Loans | 0 | 1,179 | 628 | 1,807 | 0 | 3,099 | 1,443 | 4,542 |
| of which: Asset-backed securities | 22 | 261 | 114 | 397 | 53 | 317 | 120 | 489 |
| Derivative financial instruments | 769 | 147,875 | 1,464 | 150,108 | 522 | 116,479 | 1,140 | 118,142 |
| of which: Foreign exchange | 575 | 84,881 | 2 | 85,458 | 255 | 53,043 | 7 | 53,305 |
| of which: Interest rate | 0 | 39,345 | 460 | 39,805 | 0 | 32,747 | 494 | 33,241 |
| of which: Equity / index | 1 | 21,542 | 653 | 22,195 | 0 | 27,861 | 384 | 28,245 |
| of which: Credit | 0 | 719 | 318 | 1,038 | 0 | 1,179 | 236 | 1,414 |
| of which: Commodities | 0 | 1,334 | 30 | 1,365 | 0 | 1,590 | 16 | 1,606 |
| Brokerage receivables | 0 | 17,576 | 0 | 17,576 | 0 | 21,839 | 0 | 21,839 |
| Financial assets at fair value not held for trading | 26,572 | 29,498 | 3,725 | 59,796 | 27,278 | 28,622 | 4,180 | 60,080 |
| of which: Financial assets for unit-linked investment contracts | 13,071 | 1 | 0 | 13,072 | 21,110 | 187 | 6 | 21,303 |
| of which: Corporate and municipal bonds | 35 | 14,101 | 230 | 14,366 | 123 | 13,937 | 306 | 14,366 |
| of which: Government bills / bonds | 13,103 | 3,638 | 0 | 16,741 | 5,624 | 3,236 | 0 | 8,860 |
| of which: Loans | 0 | 3,602 | 736 | 4,337 | 0 | 4,982 | 892 | 5,874 |
| of which: Securities financing transactions | 0 | 7,590 | 114 | 7,704 | 0 | 5,704 | 100 | 5,804 |
| of which: Auction rate securities | 0 | 0 | 1,326 | 1,326 | 0 | 0 | 1,585 | 1,585 |
| of which: Investment fund units | 307 | 566 | 190 | 1,063 | 338 | 574 | 117 | 1,028 |
| of which: Equity instruments | 57 | 0 | 792 | 849 | 83 | 2 | 681 | 765 |
| Financial assets measured at fair value through other comprehensive income on a recurring basis | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | 57 | 2,182 | 0 | 2,239 | 2,704 | 6,140 | 0 | 8,844 |
| of which: Asset-backed securities ² | 0 | 0 | 0 | 0 | 0 | 4,849 | 0 | 4,849 |
| of which: Government bills / bonds ² | 0 | 26 | 0 | 26 | 2,658 | 27 | 0 | 2,686 |
| of which: Corporate and municipal bonds | 57 | 2,156 | 0 | 2,213 | 45 | 1,265 | 0 | 1,310 |
| Non-financial assets measured at fair value on a recurring basis | | | | | | | | |
| Precious metals and other physical commodities | 4,471 | 0 | 0 | 4,471 | 5,258 | 0 | 0 | 5,258 |
| Non-financial assets measured at fair value on a non-recurring basis | | | | | | | | |
| Other non-financial assets ³ | 0 | 0 | 110 | 110 | 0 | 0 | 26 | 26 |
| Total assets measured at fair value | 128,110 | 207,269 | 6,788 | 342,166 | 149,459 | 187,905 | 7,645 | 345,010 |

Note 20 Fair value measurement (continued)

Determination of fair values from quoted market prices or valuation techniques (continued)¹

| USD m | 31.12.22 | | | | 31.12.21 | | | |
|---|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at fair value on a recurring basis | | | | | | | | |
| Financial liabilities at fair value held for trading | 23,578 | 5,823 | 114 | 29,515 | 25,413 | 6,170 | 105 | 31,688 |
| of which: Equity instruments | 16,521 | 352 | 78 | 16,951 | 18,328 | 513 | 83 | 18,924 |
| of which: Corporate and municipal bonds | 36 | 4,643 | 27 | 4,707 | 30 | 4,219 | 17 | 4,266 |
| of which: Government bills / bonds | 5,880 | 706 | 1 | 6,587 | 5,883 | 826 | 0 | 6,709 |
| of which: Investment fund units | 1,141 | 84 | 3 | 1,229 | 1,172 | 555 | 6 | 1,733 |
| Derivative financial instruments | 640 | 152,582 | 1,684 | 154,906 | 509 | 118,558 | 2,242 | 121,309 |
| of which: Foreign exchange | 587 | 87,897 | 24 | 88,508 | 258 | 53,800 | 21 | 54,078 |
| of which: Interest rate | 0 | 37,429 | 116 | 37,545 | 0 | 28,398 | 278 | 28,675 |
| of which: Equity / index | 0 | 24,963 | 1,184 | 26,148 | 0 | 33,438 | 1,511 | 34,949 |
| of which: Credit | 0 | 920 | 279 | 1,199 | 0 | 1,412 | 341 | 1,753 |
| of which: Commodities | 0 | 1,309 | 52 | 1,361 | 0 | 1,503 | 63 | 1,566 |
| Financial liabilities designated at fair value on a recurring basis | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 45,085 | 0 | 45,085 | 0 | 44,045 | 0 | 44,045 |
| Debt issued designated at fair value | 0 | 63,111 | 10,527 | 73,638 | 0 | 59,606 | 14,194 | 73,799 |
| Other financial liabilities designated at fair value | 0 | 29,547 | 691 | 30,237 | 0 | 29,258 | 816 | 30,074 |
| of which: Financial liabilities related to unit-linked investment contracts | 0 | 13,221 | 0 | 13,221 | 0 | 21,466 | 0 | 21,466 |
| of which: Securities financing transactions | 0 | 15,333 | 0 | 15,333 | 0 | 6,375 | 2 | 6,377 |
| of which: Over-the-counter debt instruments and other | 0 | 993 | 691 | 1,684 | 0 | 1,417 | 814 | 2,231 |
| Total liabilities measured at fair value | 24,219 | 296,148 | 13,015 | 333,381 | 25,922 | 257,637 | 17,357 | 300,916 |

¹ Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented.
² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for more information. ³ Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

Valuation techniques

UBS uses widely recognized valuation techniques for determining the fair value of financial and non-financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include discounted value of expected cash flows, relative value and option pricing methodologies.

Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry-standard cash flow projection models. The discount factors within the calculation are generated using industry-standard yield curve modeling techniques and models.

Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued.

Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry-standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed-form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation).

Where available, valuation techniques use market-observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. In such cases, the inputs selected are based on historical experience and practice for similar or analogous instruments, derivation of input levels based on similar products with observable price levels, and knowledge of current market conditions and valuation approaches.

For more complex instruments, fair values may be estimated using a combination of observed transaction prices, consensus pricing services and relevant quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. UBS also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. Refer to Note 20e for more information. The discount curves used by the Group incorporate the funding and credit characteristics of the instruments to which they are applied.

Note 20 Fair value measurement (continued)

Financial instruments excluding derivatives: valuation and classification in the fair value hierarchy

| Product | Valuation and classification in the fair value hierarchy | |
|--|--|---|
| Government bills and bonds | Valuation | <ul style="list-style-type: none"> – Generally valued using prices obtained directly from the market. – Instruments not priced directly using active-market data are valued using discounted cash flow valuation techniques that incorporate market data for similar government instruments. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1, while the remaining positions are classified as Level 2 and Level 3. |
| Corporate and municipal bonds | Valuation | <ul style="list-style-type: none"> – Generally valued using prices obtained directly from the market for the security, or similar securities, adjusted for seniority, maturity and liquidity. – When prices are not available, instruments are valued using discounted cash flow valuation techniques incorporating the credit spread of the issuer or similar issuers. – For convertible bonds without directly comparable prices, issuances may be priced using a convertible bond model. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Generally classified as Level 1 or Level 2, depending on the depth of trading activity behind price sources. – Level 3 instruments have no suitable pricing information available. |
| Traded loans and loans measured at fair value | Valuation | <ul style="list-style-type: none"> – Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available. – Where no market price data is available, loans are valued by relative value benchmarking using pricing derived from debt instruments in comparable entities or different products in the same entity, or by using a credit default swap valuation technique, which requires inputs for credit spreads, credit recovery rates and interest rates. Recently originated commercial real estate loans are measured using a securitization approach based on rating agency guidelines. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Instruments with suitably deep and liquid pricing information are classified as Level 2. – Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3. |
| Investment fund units | Valuation | <ul style="list-style-type: none"> – Predominantly exchange-traded, with readily available quoted prices in liquid markets. – Where market prices are not available, fair value may be measured using net asset values (NAVs). |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Listed units are classified as Level 1, provided there is sufficient trading activity to justify active-market classification, while other positions are classified as Level 2. – Positions for which NAVs are not available are classified as Level 3. |
| Asset-backed securities (ABS) | Valuation | <ul style="list-style-type: none"> – For liquid securities, the valuation process will use trade and price data, updated for movements in market levels between the time of trading and the time of valuation. Less liquid instruments are measured using discounted expected cash flows incorporating price data for instruments or indices with similar risk profiles. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Residential mortgage-backed securities, commercial mortgage-backed securities and other ABS are generally classified as Level 2. However, if significant inputs are unobservable, or if market or fundamental data is not available, they are classified as Level 3. |
| Auction rate securities (ARS) | Valuation | <ul style="list-style-type: none"> – ARS are valued utilizing a discounted cash flow methodology. The model captures interest rate risk emanating from the note coupon, credit risk attributable to the underlying closed-end fund investments, liquidity risk as a function of the level of trading volume in these positions, and extension risk, as ARS are perpetual instruments that require an assumption regarding their maturity or issuer redemption date. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Granular and liquid pricing information is generally not available for ARS. As a result, these securities are classified as Level 3. |
| Equity instruments | Valuation | <ul style="list-style-type: none"> – Listed equity instruments are generally valued using prices obtained directly from the market. – Unlisted equity holdings, including private equity positions, are initially marked at their transaction price and are revalued when reliable evidence of price movement becomes available or when the position is deemed to be impaired. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The majority of equity securities are actively traded on public stock exchanges where quoted prices are readily and regularly available, resulting in Level 1 classification. – Equity securities less actively traded will be classified as Level 2 and illiquid positions as Level 3. |
| Financial assets for unit-linked investment contracts | Valuation | <ul style="list-style-type: none"> – The majority of assets are listed on exchanges and fair values are determined using quoted prices. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Most assets are classified as Level 1 if actively traded, or Level 2 if trading is not active. – Instruments for which prices are not readily available are classified as Level 3. |
| Securities financing transactions | Valuation | <ul style="list-style-type: none"> – These instruments are valued using discounted expected cash flow techniques. The discount rate applied is based on funding curves that are relevant to the collateral eligibility terms. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Collateral funding curves for these instruments are generally observable and, as a result, these positions are classified as Level 2. – Where the collateral terms are non-standard, the funding curve may be considered unobservable and these positions are classified as Level 3. |
| Brokerage receivables and payables | Valuation | <ul style="list-style-type: none"> – Fair value is determined based on the value of the underlying balances. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Due to their on-demand nature, these receivables and payables are deemed as Level 2. |

Note 20 Fair value measurement (continued)

| Product | Valuation and classification in the fair value hierarchy | |
|--|--|--|
| Financial liabilities related to unit-linked investment contracts | Valuation | – The fair values of investment contract liabilities are determined by reference to the fair value of the corresponding assets. |
| | Fair value hierarchy | – The liabilities themselves are not actively traded, but are mainly referenced to instruments that are actively traded and are therefore classified as Level 2. |
| Precious metals and other physical commodities | Valuation | – Physical assets are valued using the spot rate observed in the relevant market. |
| | Fair value hierarchy | – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1. |
| Debt issued designated at fair value | Valuation | – The risk management and the valuation approaches for these instruments are closely aligned with the equivalent derivatives business and the underlying risk, and the valuation techniques used for this component are the same as the relevant valuation techniques described below. |
| | Fair value hierarchy | – The observability is closely aligned with the equivalent derivatives business and the underlying risk. |

Derivative instruments: valuation and classification in the fair value hierarchy

The curves used for discounting expected cash flows in the valuation of collateralized derivatives reflect the funding terms associated with the relevant collateral arrangement for the instrument being valued. These collateral arrangements differ across counterparties with respect to the eligible currency and interest terms of the collateral. The majority of collateralized derivatives are measured using a discount curve based on funding rates derived from overnight interest in the cheapest eligible currency for the respective counterparty collateral agreement.

Uncollateralized and partially collateralized derivatives are discounted using the alternative reference rate (the ARR) (or equivalent) curve for the currency of the instrument. As described in Note 20d, the fair value of uncollateralized and partially collateralized derivatives is then adjusted by credit valuation adjustments (CVAs), debit valuation adjustments (DVAs) and funding valuation adjustments (FVAs), as applicable, to reflect an estimation of the effect of counterparty credit risk, UBS's own credit risk, and funding costs and benefits.

› Refer to Note 10 for more information about derivative instruments

| Derivative product | Valuation and classification in the fair value hierarchy | |
|------------------------------------|--|--|
| Interest rate contracts | Valuation | <ul style="list-style-type: none"> – Interest rate swap contracts are valued by estimating future interest cash flows and discounting those cash flows using a rate that reflects the appropriate funding rate for the position being measured. The yield curves used to estimate future index levels and discount rates are generated using market-standard yield curve models using interest rates associated with current market activity. The key inputs to the models are interest rate swap rates, forward rate agreement rates, short-term interest rate futures prices, basis swap spreads and inflation swap rates. – Interest rate option contracts are valued using various market-standard option models, using inputs that include interest rate yield curves, inflation curves, volatilities and correlations. – When the maturity of an interest rate swap or option contract exceeds the term for which standard market quotes are observable for a significant input parameter, the contracts are valued by extrapolation from the last observable point using standard assumptions or by reference to another observable comparable input parameter to represent a suitable proxy for that portion of the term. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The majority of interest rate swaps are classified as Level 2, as the standard market contracts that form the inputs for yield curve models are generally traded in active and observable markets. – Options are generally treated as Level 2, as the calibration process enables the model output to be validated to active-market levels. Models calibrated in this way are then used to revalue the portfolio of both standard options and more exotic products. – Interest rate swap or option contracts are classified as Level 3 when the terms exceed standard market-observable quotes. – Exotic options for which appropriate volatility or correlation input levels cannot be implied from observable market data are classified as Level 3. |
| Credit derivative contracts | Valuation | <ul style="list-style-type: none"> – Credit derivative contracts are valued using industry-standard models based primarily on market credit spreads, upfront pricing points and implied recovery rates. Where a derivative credit spread is not directly available, it may be derived from the price of the reference cash bond. – Asset-backed credit derivatives are valued using a valuation technique similar to that of the underlying security with an adjustment to reflect the funding differences between cash and synthetic form. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Single-entity and portfolio credit derivative contracts are classified as Level 2 when credit spreads and recovery rates are determined from actively traded observable market data. Where the underlying reference name(s) are not actively traded and the correlation cannot be directly mapped to actively traded tranche instruments, these contracts are classified as Level 3. – Asset-backed credit derivatives follow the characteristics of the underlying security and are therefore distributed across Level 2 and Level 3. |

Note 20 Fair value measurement (continued)

| Derivative product | Valuation and classification in the fair value hierarchy | |
|-----------------------------------|--|---|
| Foreign exchange contracts | Valuation | <ul style="list-style-type: none"> – Open spot foreign exchange (FX) contracts are valued using the FX spot rate observed in the market. – Forward FX contracts are valued using the FX spot rate adjusted for forward pricing points observed from standard market-based sources. – Over-the-counter (OTC) FX option contracts are valued using market-standard option valuation models. The models used for shorter-dated options (i.e., maturities of five years or less) tend to be different than those used for longer-dated options because the models needed for longer-dated OTC FX contracts require additional consideration of interest rate and FX rate interdependency. – The valuation for multi-dimensional FX options uses a multi-local volatility model, which is calibrated to the observed FX volatilities for all relevant FX pairs. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The markets for FX spot and FX forward pricing points are both actively traded and observable and therefore such FX contracts are generally classified as Level 2. – A significant proportion of OTC FX option contracts are classified as Level 2 as inputs are derived mostly from standard market contracts traded in active and observable markets. – OTC FX option contracts classified as Level 3 include multi-dimensional FX options and long-dated FX exotic option contracts where there is no active market from which to derive volatility or correlation inputs. |
| Equity / index contracts | Valuation | <ul style="list-style-type: none"> – Equity forward contracts have a single stock or index underlying and are valued using market-standard models. The key inputs to the models are stock prices, estimated dividend rates and equity funding rates (which are implied from prices of forward contracts observed in the market). Estimated cash flows are then discounted using market-standard discounted cash flow models using a rate that reflects the appropriate funding rate for that portion of the portfolio. When no market data is available for the instrument maturity, they are valued by extrapolation of available data, use of historical dividend data, or use of data for a related equity. – Equity option contracts are valued using market-standard models that estimate the equity forward level as described for equity forward contracts and incorporate inputs for stock volatility and for correlation between stocks within a basket. The probability-weighted expected option payoff generated is then discounted using market-standard discounted cash flow models applying a rate that reflects the appropriate funding rate for that portion of the portfolio. When volatility, forward or correlation inputs are not available, they are valued using extrapolation of available data, historical dividend, correlation or volatility data, or the equivalent data for a related equity. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – As inputs are derived mostly from standard market contracts traded in active and observable markets, a significant proportion of equity forward contracts are classified as Level 2. – Equity option positions for which inputs are derived from standard market contracts traded in active and observable markets are also classified as Level 2. Level 3 positions are those for which volatility, forward or correlation inputs are not observable. |
| Commodity contracts | Valuation | <ul style="list-style-type: none"> – Commodity forward and swap contracts are measured using market-standard models that use market forward levels on standard instruments. – Commodity option contracts are measured using market-standard option models that estimate the commodity forward level as described for commodity forward and swap contracts, incorporating inputs for the volatility of the underlying index or commodity. For commodity options on baskets of commodities or bespoke commodity indices, the valuation technique also incorporates inputs for the correlation between different commodities or commodity indices. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Individual commodity contracts are typically classified as Level 2, because active forward and volatility market data is available. |

d) Valuation adjustments and other items

The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted where appropriate and when such factors would be considered by market participants in estimating fair value, to reflect close-out costs, credit exposure, model-driven valuation uncertainty, funding costs and benefits, trading restrictions and other factors.

Deferred day-1 profit or loss reserves

For new transactions where the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognized at the transaction price. The transaction price may differ from the fair value obtained using a valuation technique, where any such difference is deferred and not initially recognized in the income statement.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters becomes observable or when the transaction is closed out.

The table below summarizes the changes in deferred day-1 profit or loss reserves during the respective period.

Note 20 Fair value measurement (continued)

| Deferred day-1 profit or loss reserves | | | |
|--|------------|------------|------------|
| USD m | 2022 | 2021 | 2020 |
| Reserve balance at the beginning of the year | 418 | 269 | 146 |
| Profit / (loss) deferred on new transactions | 299 | 459 | 362 |
| (Profit) / loss recognized in the income statement | (295) | (308) | (238) |
| Foreign currency translation | 0 | (2) | 0 |
| Reserve balance at the end of the year | 422 | 418 | 269 |

Own credit

Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants.

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to own credit are recognized in *Other comprehensive income* directly within *Retained earnings, with no reclassification to the income statement in future periods*. This presentation does not create or increase an accounting mismatch in the income statement, as the Group does not hedge changes in own credit.

Own credit is estimated using own credit adjustment (OCA) curves, which incorporate observable market data, including market-observed secondary prices for UBS's debt and debt curves of peers. In the table below, the change in unrealized own credit consists of changes in fair value that are attributable to the change in UBS's credit spreads, as well as the effect of changes in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay and changes in interest and other market rates. Realized own credit is recognized when an instrument with an associated unrealized OCA is repurchased prior to the contractual maturity date. Life-to-date amounts reflect the cumulative unrealized change since initial recognition.

› Refer to Note 15 for more information about debt issued designated at fair value

Own credit adjustments on financial liabilities designated at fair value

| USD m | Included in Other comprehensive income | | |
|---|--|-----------|--------------|
| | For the year ended | | |
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Recognized during the period: | | | |
| Realized gain / (loss) | 1 | (14) | 2 |
| Unrealized gain / (loss) | 866 | 60 | (295) |
| Total gain / (loss), before tax | 867 | 46 | (293) |
| Recognized on the balance sheet as of the end of the period: | | | |
| Unrealized life-to-date gain / (loss) | 556 | (315) | (381) |
| of which: debt issued designated at fair value | 453 | (347) | (418) |
| of which: other financial liabilities designated at fair value | 103 | 32 | 36 |

Credit valuation adjustments

In order to measure the fair value of OTC derivative instruments, including funded derivative instruments that are classified as *Financial assets at fair value not held for trading*, CVAs are needed to reflect the credit risk of the counterparty inherent in these instruments. This amount represents the estimated fair value of protection required to hedge the counterparty credit risk of such instruments. A CVA is determined for each counterparty, considering all exposures with that counterparty, and is dependent on the expected future value of exposures, default probabilities and recovery rates, applicable collateral or netting arrangements, break clauses, funding spreads, and other contractual factors.

Funding valuation adjustments

FVAs reflect the costs and benefits of funding associated with uncollateralized and partially collateralized derivative receivables and payables and are calculated as the valuation effect from moving the discounting of the uncollateralized derivative cash flows from the ARR to OCA using the CVA framework, including the probability of counterparty default. An FVA is also applied to collateralized derivative assets in cases where the collateral cannot be sold or repledged.

Note 20 Fair value measurement (continued)

Debit valuation adjustments

A DVA is estimated to incorporate own credit in the valuation of derivatives where an FVA is not already recognized. The DVA calculation is effectively consistent with the CVA framework, being determined for each counterparty, considering all exposures with that counterparty and taking into account collateral netting agreements, expected future mark-to-market movements and UBS's credit default spreads.

Other valuation adjustments

Instruments that are measured as part of a portfolio of combined long and short positions are valued at mid-market levels to ensure consistent valuation of the long- and short-component risks. A liquidity valuation adjustment is then made to the overall net long or short exposure to move the fair value to bid or offer as appropriate, reflecting current levels of market liquidity. The bid-offer spreads used in the calculation of this valuation adjustment are obtained from market transactions and other relevant sources and are updated periodically.

Uncertainties associated with the use of model-based valuations are incorporated into the measurement of fair value through the use of model reserves. These reserves reflect the amounts that the Group estimates should be deducted from valuations produced directly by models to incorporate uncertainties in the relevant modeling assumptions, in the model and market inputs used, or in the calibration of the model output to adjust for known model deficiencies. In arriving at these estimates, the Group considers a range of market practices, including how it believes market participants would assess these uncertainties. Model reserves are reassessed periodically in light of data from market transactions, consensus pricing services and other relevant sources.

Balance sheet valuation adjustments on financial instruments

| | As of | |
|---|-----------------|----------|
| <i>USD m</i> | 31.12.22 | 31.12.21 |
| Credit valuation adjustments ¹ | (33) | (44) |
| Funding valuation adjustments | (50) | (49) |
| Debit valuation adjustments | 4 | 2 |
| Other valuation adjustments | (839) | (913) |
| <i>of which: liquidity</i> | (311) | (341) |
| <i>of which: model uncertainty</i> | (529) | (571) |

¹ Amounts do not include reserves against defaulted counterparties.

Other items

In the first half of 2021, UBS incurred a loss of USD 861m as a result of closing out a significant portfolio of swaps with a US-based client of its prime brokerage business and the unwinding of related hedges, following the client's default. This loss is presented within *Other net income from financial instruments measured at fair value through profit or loss*.

Note 20 Fair value measurement (continued)

e) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 31 December 2022 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of the Group's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by the Group. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

| USD bn | Fair value | | | | Valuation technique(s) | Significant unobservable input(s) ¹ | Range of inputs | | | | | | unit ¹ |
|--|------------|------------|-------------|-------------|--|---|-----------------|-------|-------------------------------|----------|-------|-------------------------------|-------------------|
| | Assets | | Liabilities | | | | 31.12.22 | | | 31.12.21 | | | |
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | | | low | high | weighted average ² | low | high | weighted average ² | |
| Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading | | | | | | | | | | | | | |
| <i>Corporate and municipal bonds</i> | <i>0.8</i> | <i>0.9</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Bond price equivalent | 14 | 112 | 85 | 16 | 143 | 98 | points |
| | | | | | Discounted expected cash flows | Discount margin | 412 | 412 | | 434 | 434 | | points |
| <i>Traded loans, loans measured at fair value, loan commitments and guarantees</i> | <i>1.7</i> | <i>2.8</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Loan price equivalent | 30 | 100 | 97 | 0 | 101 | 99 | points |
| | | | | | Discounted expected cash flows | Credit spread | 200 | 200 | 200 | 175 | 800 | 436 | points |
| | | | | | Market comparable and securitization model | Credit spread | 145 | 1,350 | 322 | 28 | 1,544 | 241 | basis points |
| <i>Auction rate securities</i> | <i>1.3</i> | <i>1.6</i> | | | Discounted expected cash flows | Credit spread | 115 | 196 | 144 | 115 | 197 | 153 | basis points |
| <i>Investment fund units³</i> | <i>0.3</i> | <i>0.1</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Net asset value | | | | | | | |
| <i>Equity instruments³</i> | <i>0.9</i> | <i>0.8</i> | <i>0.1</i> | <i>0.1</i> | Relative value to market comparable | Price | | | | | | | |
| Debt issued designated at fair value⁴ | | | 10.5 | 14.2 | | | | | | | | | |
| Other financial liabilities designated at fair value | | | 0.7 | 0.8 | Discounted expected cash flows | Funding spread | 23 | 175 | | 24 | 175 | | basis points |
| Derivative financial instruments | | | | | | | | | | | | | |
| <i>Interest rate</i> | <i>0.5</i> | <i>0.5</i> | <i>0.1</i> | <i>0.3</i> | Option model | Volatility of interest rates | 75 | 143 | | 65 | 81 | | basis points |
| <i>Credit</i> | <i>0.3</i> | <i>0.2</i> | <i>0.3</i> | <i>0.3</i> | Discounted expected cash flows | Credit spreads | 9 | 565 | | 1 | 583 | | basis points |
| | | | | | | Bond price equivalent | 3 | 277 | | 2 | 136 | | points |
| <i>Equity / index</i> | <i>0.7</i> | <i>0.4</i> | <i>1.2</i> | <i>1.5</i> | Option model | Equity dividend yields | 0 | 20 | | 0 | 11 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 4 | 120 | | 4 | 98 | | % |
| | | | | | | Equity-to-FX correlation | (29) | 84 | | (29) | 76 | | % |
| | | | | | | Equity-to-equity correlation | (25) | 100 | | (25) | 100 | | % |

¹ The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). ² Weighted averages are provided for most non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to Other financial liabilities designated at fair value and Derivative financial instruments, as this would not be meaningful. ³ The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. ⁴ Debt issued designated at fair value primarily consists of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

Note 20 Fair value measurement (continued)

Significant unobservable inputs in Level 3 positions

This section discusses the significant unobservable inputs used in the valuation of Level 3 instruments and assesses the potential effect that a change in each unobservable input in isolation may have on a fair value measurement. Relationships between observable and unobservable inputs have not been included in the summary below.

| Input | Description |
|------------------------------|--|
| Bond price equivalent | <ul style="list-style-type: none">– Where market prices are not available for a bond, fair value is measured by comparison with observable pricing data from similar instruments. Factors considered when selecting comparable instruments include credit quality, maturity and industry of the issuer. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield (either as an outright yield or as a spread to the relevant benchmark rate).– For corporate and municipal bonds, the range represents the range of prices from reference issuances used in determining fair value. Bonds priced at 0 are distressed to the point that no recovery is expected, while prices significantly in excess of 100 or par relate to inflation-linked or structured issuances that pay a coupon in excess of the market benchmark as of the measurement date.– For credit derivatives, the bond price range represents the range of prices used for reference instruments, which are typically converted to an equivalent yield or credit spread as part of the valuation process. |
| Loan price equivalent | <ul style="list-style-type: none">– Where market prices are not available for a traded loan, fair value is measured by comparison with observable pricing data for similar instruments. Factors considered when selecting comparable instruments include industry segment, collateral quality, maturity and issuer-specific covenants. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield. The range represents the range of prices derived from reference issuances of a similar credit quality used to measure fair value for loans classified as Level 3. Loans priced at 0 are distressed to the point that no recovery is expected, while a current price of 100 represents a loan that is expected to be repaid in full. |
| Credit spread | <ul style="list-style-type: none">– Valuation models for many credit derivatives require an input for the credit spread, which is a reflection of the credit quality of the associated referenced underlying. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either US Treasury or ARR, and is generally expressed in terms of basis points. An increase / (decrease) in credit spread will increase / (decrease) the value of credit protection offered by credit default swaps and other credit derivative products. The income statement effect from such changes depends on the nature and direction of the positions held. Credit spreads may be negative where the asset is more creditworthy than the benchmark against which the spread is calculated. A wider credit spread represents decreasing creditworthiness. The range represents a diverse set of underlyings, with the lower end of the range representing credits of the highest quality and the upper end of the range representing greater levels of credit risk. |
| Discount margin | <ul style="list-style-type: none">– The discount margin (DM) spread represents the discount rates applied to present value cash flows of an asset to reflect the market return required for uncertainty in the estimated cash flows. DM spreads are a rate or rates applied on top of a floating index (e.g., Secured Overnight Financing Rate (SOFR)) to discount expected cash flows. Generally, a decrease / (increase) in the DM in isolation would result in a higher / (lower) fair value.– The high end of the range relates to securities that are priced low within the market relative to the expected cash flow schedule. This indicates that the market is pricing an increased risk of credit loss into the security that is greater than what is being captured by the expected cash flow generation process. The low ends of the ranges are typical of funding rates on better-quality instruments. |
| Funding spread | <ul style="list-style-type: none">– Structured financing transactions are valued using synthetic funding curves that best represent the assets that are pledged as collateral for the transactions. They are not representative of where UBS can fund itself on an unsecured basis, but provide an estimate of where UBS can source and deploy secured funding with counterparties for a given type of collateral. The funding spreads are expressed in terms of basis points, and if funding spreads widen, this increases the effect of discounting.– A small proportion of structured debt instruments and non-structured fixed-rate bonds within financial liabilities designated at fair value had an exposure to funding spreads that was longer in duration than the actively traded market. |
| Volatility | <ul style="list-style-type: none">– Volatility measures the variability of future prices for a particular instrument and is generally expressed as a percentage, where a higher number reflects a more volatile instrument, for which future price movements are more likely to occur. Volatility is a key input into option models, where it is used to derive a probability-based distribution of future prices for the underlying instrument. The effect of volatility on individual positions within the portfolio is driven primarily by whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of an increase in volatility and is reduced by a decrease in volatility. Generally, volatility used in the measurement of fair value is derived from active-market option prices (referred to as implied volatility). A key feature of implied volatility is the volatility “smile” or “skew,” which represents the effect of pricing options of different option strikes at different implied volatility levels.– Volatilities of low interest rates tend to be much higher than volatilities of high interest rates. In addition, different currencies may have significantly different implied volatilities. |

Note 20 Fair value measurement (continued)

| Input | Description |
|-------------------------------|---|
| Correlation | <ul style="list-style-type: none"> – Correlation measures the interrelationship between the movements of two variables. It is expressed as a percentage between –100% and +100%, where +100% represents perfectly correlated variables (meaning a movement of one variable is associated with a movement of the other variable in the same direction) and –100% implies that the variables are inversely correlated (meaning a movement of one variable is associated with a movement of the other variable in the opposite direction). The effect of correlation on the measurement of fair value depends on the specific terms of the instruments being valued, reflecting the range of different payoff features within such instruments. – Equity-to-FX correlation is important for equity options based on a currency other than the currency of the underlying stock. Equity-to-equity correlation is particularly important for complex options that incorporate, in some manner, different equities in the projected payoff. |
| Equity dividend yields | <ul style="list-style-type: none"> – The derivation of a forward price for an individual stock or index is important for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings, and, to a lesser extent, the relevant funding rates applicable to the stock in question. Dividend yields are generally expressed as an annualized percentage of the share price, with the lowest limit of 0% representing a stock that is not expected to pay any dividend. The dividend yield and timing represent the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price. |

f) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible favorable and unfavorable alternative assumptions would change fair value significantly, and the estimated effect thereof. The table below does not represent the estimated effect of stress scenarios. Interdependencies between Level 1, 2 and 3 parameters have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters discussed below are not a significant element of the valuation uncertainty.

Sensitivity data is estimated using a number of techniques, including the estimation of price dispersion among different market participants, variation in modeling approaches and reasonably possible changes to assumptions used within the fair value measurement process. The sensitivity ranges are not always symmetrical around the fair values, as the inputs used in valuations are not always precisely in the middle of the favorable and unfavorable range.

Sensitivity data is determined at a product or parameter level and then aggregated assuming no diversification benefit. Diversification would incorporate estimated correlations across different sensitivity results and, as such, would result in an overall sensitivity that would be less than the sum of the individual component sensitivities. However, the Group believes that the diversification benefit is not significant to this analysis.

Sensitivity of fair value measurements to changes in unobservable input assumptions¹

| | 31.12.22 | | 31.12.21 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| <i>USD m</i> | | | | |
| Traded loans, loans measured at fair value, loan commitments and guarantees | 19 | (12) | 19 | (13) |
| Securities financing transactions | 33 | (37) | 41 | (53) |
| Auction rate securities | 46 ² | (46) ² | 66 | (66) |
| Asset-backed securities | 27 | (27) | 20 | (20) |
| Equity instruments | 183 | (161) | 173 | (146) |
| Interest rate derivatives, net | 18 ² | (12) ² | 29 | (19) |
| Credit derivatives, net | 3 | (4) | 5 | (8) |
| Foreign exchange derivatives, net | 10 | (5) | 19 | (11) |
| Equity / index derivatives, net | 361 | (330) | 368 | (335) |
| Other | 39 ² | (62) ² | 50 | (73) |
| Total | 738 | (696) | 790 | (744) |

¹ Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument. ² Includes refinements applied in estimating valuation uncertainty across various parameters.

Note 20 Fair value measurement (continued)

g) Level 3 instruments: movements during the period

The table below presents additional information about material movements in Level 3 assets and liabilities measured at fair value on a recurring basis, excluding any related hedging activity.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Movements of Level 3 instruments

| USD bn | Balance at the beginning of the period | Net gains / losses included in comprehensive income ¹ | of which: related to instruments held at the end of the period | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance at the end of the period |
|---|--|--|--|------------|--------------|------------|--------------|------------------------|--------------------------|------------------------------|----------------------------------|
| For the twelve months ended 31 December 2022² | | | | | | | | | | | |
| Financial assets at fair value held for trading | 2.3 | (0.3) | (0.3) | 0.3 | (1.8) | 0.5 | 0.0 | 0.7 | (0.3) | (0.0) | 1.5 |
| of which: Investment fund units | 0.0 | (0.0) | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.1 | (0.0) | (0.0) | 0.1 |
| of which: Corporate and municipal bonds | 0.6 | (0.0) | (0.0) | 0.3 | (0.6) | 0.0 | 0.0 | 0.4 | (0.0) | (0.0) | 0.5 |
| of which: Loans | 1.4 | (0.1) | (0.1) | 0.0 | (1.1) | 0.5 | 0.0 | 0.0 | (0.2) | 0.0 | 0.6 |
| Derivative financial instruments – assets | 1.1 | 0.6 | 0.3 | 0.0 | 0.0 | 0.4 | (0.7) | 0.1 | (0.0) | (0.0) | 1.5 |
| of which: Interest rate | 0.5 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | (0.1) | (0.0) | 0.5 |
| of which: Equity / index | 0.4 | 0.2 | 0.1 | 0.0 | 0.0 | 0.4 | (0.3) | 0.1 | (0.0) | (0.0) | 0.7 |
| of which: Credit | 0.2 | 0.1 | (0.1) | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | 0.1 | 0.0 | 0.3 |
| Financial assets at fair value not held for trading | 4.2 | 0.1 | 0.1 | 0.7 | (1.2) | 0.1 | (0.0) | 0.2 | (0.3) | (0.0) | 3.7 |
| of which: Loans | 0.9 | (0.0) | (0.0) | 0.4 | (0.4) | 0.1 | 0.0 | 0.1 | (0.3) | (0.0) | 0.7 |
| of which: Auction rate securities | 1.6 | 0.1 | 0.0 | 0.0 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 |
| of which: Equity instruments | 0.7 | 0.0 | 0.0 | 0.1 | (0.1) | 0.0 | 0.0 | 0.1 | 0.0 | (0.0) | 0.8 |
| Derivative financial instruments – liabilities | 2.2 | (0.8) | (0.4) | 0.0 | 0.0 | 1.1 | (0.9) | 0.3 | (0.2) | (0.1) | 1.7 |
| of which: Interest rate | 0.3 | (0.3) | (0.0) | 0.0 | 0.0 | 0.1 | (0.0) | 0.0 | (0.0) | (0.0) | 0.1 |
| of which: Equity / index | 1.5 | (0.4) | (0.3) | 0.0 | 0.0 | 0.8 | (0.7) | 0.1 | (0.2) | (0.0) | 1.2 |
| of which: Credit | 0.3 | (0.1) | (0.0) | 0.0 | 0.0 | 0.1 | (0.1) | 0.1 | (0.0) | (0.0) | 0.3 |
| Debt issued designated at fair value³ | 14.2 | (2.2) | (1.8) | 0.0 | 0.0 | 4.7 | (3.1) | 0.7 | (3.4) | (0.3) | 10.5 |
| Other financial liabilities designated at fair value | 0.8 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | (0.0) | 0.7 |
| For the twelve months ended 31 December 2021 | | | | | | | | | | | |
| Financial assets at fair value held for trading | 2.3 | (0.0) | (0.1) | 0.3 | (1.6) | 1.2 | 0.0 | 0.3 | (0.3) | (0.0) | 2.3 |
| of which: Investment fund units | 0.0 | (0.0) | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 0.0 |
| of which: Corporate and municipal bonds | 0.8 | 0.0 | (0.0) | 0.2 | (0.4) | 0.0 | 0.0 | 0.0 | (0.1) | (0.0) | 0.6 |
| of which: Loans | 1.1 | 0.0 | (0.0) | 0.0 | (0.8) | 1.2 | 0.0 | 0.0 | (0.2) | 0.0 | 1.4 |
| Derivative financial instruments – assets | 1.8 | (0.2) | (0.1) | 0.0 | 0.0 | 0.5 | (0.7) | 0.1 | (0.3) | (0.0) | 1.1 |
| of which: Interest rate | 0.5 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | (0.2) | 0.0 | (0.1) | (0.0) | 0.5 |
| of which: Equity / index | 0.9 | (0.1) | (0.1) | 0.0 | 0.0 | 0.3 | (0.4) | 0.0 | (0.2) | (0.0) | 0.4 |
| of which: Credit | 0.3 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | 0.0 | 0.2 |
| Financial assets at fair value not held for trading | 3.9 | 0.1 | 0.1 | 1.0 | (0.6) | 0.0 | 0.0 | 0.1 | (0.3) | (0.0) | 4.2 |
| of which: Loans | 0.9 | (0.0) | 0.0 | 0.6 | (0.3) | 0.0 | 0.0 | 0.0 | (0.3) | (0.0) | 0.9 |
| of which: Auction rate securities | 1.5 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| of which: Equity instruments | 0.5 | 0.1 | 0.1 | 0.1 | (0.1) | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 0.7 |
| Derivative financial instruments – liabilities | 3.5 | 0.2 | (0.0) | 0.0 | 0.0 | 0.9 | (1.8) | 0.0 | (0.5) | (0.0) | 2.2 |
| of which: Interest rate | 0.5 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | (0.0) | 0.3 |
| of which: Equity / index | 2.3 | 0.3 | 0.1 | 0.0 | 0.0 | 0.8 | (1.5) | 0.0 | (0.4) | (0.0) | 1.5 |
| of which: Credit | 0.5 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | (0.1) | (0.0) | 0.3 |
| Debt issued designated at fair value | 11.0 | 0.7 | 0.6 | 0.0 | 0.0 | 8.0 | (4.2) | 0.2 | (1.2) | (0.2) | 14.2 |
| Other financial liabilities designated at fair value | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | (0.2) | 0.0 | (0.0) | (0.0) | 0.8 |

¹ Net gains / losses included in comprehensive income are recognized in Net interest income and Other net income from financial instruments measured at fair value through profit or loss in the Income statement, and also in Gains / (losses) from own credit on financial liabilities designated at fair value, before tax in the Statement of comprehensive income. ² Total Level 3 assets as of 31 December 2022 were USD 6.8bn (31 December 2021: USD 7.6bn). Total Level 3 liabilities as of 31 December 2022 were USD 13.0bn (31 December 2021: USD 17.4bn). ³ Of the USD 2.2bn in net gains / losses that is included in comprehensive income, USD 1.7bn is recognized in the Income statement and USD 0.5bn is recognized in the Statement of comprehensive income in Gains / (losses) from own credit on financial liabilities designated at fair value, before tax.

Note 20 Fair value measurement (continued)

h) Maximum exposure to credit risk for financial instruments measured at fair value

The tables below provide the Group's maximum exposure to credit risk for financial instruments measured at fair value and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of IFRS.

Maximum exposure to credit risk

| USD bn | 31.12.22 | | | | | | | | |
|---|---------------------------------|--------------------------|---|------------------------|------------------|---------------------|-----------------------------|------------|--|
| | Maximum exposure to credit risk | Collateral | | | | Credit enhancements | | | Exposure to credit risk after collateral and credit enhancements |
| | | Cash collateral received | Collateralized by equity and debt instruments | Secured by real estate | Other collateral | Netting | Credit derivative contracts | Guarantees | |
| Financial assets measured at fair value on the balance sheet¹ | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments ^{2,3} | 16.5 | | | | | | | | 16.5 |
| Derivative financial instruments ⁴ | 150.1 | | 5.9 | | | 133.5 | | | 10.7 |
| Brokerage receivables | 17.6 | | 17.3 | | | | | | 0.3 |
| Financial assets at fair value not held for trading – debt instruments ⁵ | 44.8 | | 11.4 | | | | | | 33.4 |
| Total financial assets measured at fair value | 229.0 | 0.0 | 34.6 | 0.0 | 0.0 | 133.5 | 0.0 | 0.0 | 61.0 |
| Guarantees ⁶ | 0.2 | | | | | | | 0.2 | 0.0 |
| 31.12.21 | | | | | | | | | |
| USD bn | | | | | | | | | |
| Financial assets measured at fair value on the balance sheet¹ | | | | | | | | | |
| Financial assets at fair value held for trading – debt instruments ^{2,3} | 22.4 | | | | | | | | 22.4 |
| Derivative financial instruments ⁴ | 118.1 | | 4.2 | | | 103.2 | | | 10.7 |
| Brokerage receivables | 21.8 | | 21.6 | | | | | | 0.2 |
| Financial assets at fair value not held for trading – debt instruments ⁵ | 37.0 | | 11.2 | | | | | | 25.7 |
| Total financial assets measured at fair value | 199.4 | 0.0 | 37.1 | 0.0 | 0.0 | 103.2 | 0.0 | 0.0 | 59.1 |
| Guarantees ⁶ | 0.2 | | | | | | | 0.2 | 0.0 |

¹ The maximum exposure to loss is generally equal to the carrying amount and subject to change over time with market movements. ² These positions are generally managed under the market risk framework. For the purpose of this disclosure, collateral and credit enhancements were not considered. ³ Does not include investment fund units. ⁴ The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 21 for more information. ⁵ Financial assets at fair value not held for trading collateralized by securities consisted of structured loans and reverse repurchase and securities borrowing agreements. ⁶ The amount shown in the "Guarantees" column largely relates to sub-participations.

Note 20 Fair value measurement (continued)

i) Financial instruments not measured at fair value

The table below provides the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

| USD bn | 31.12.22 | | | | | | 31.12.21 | | | | | |
|---|-----------------|--|---------|---------|---------|-------|-----------------|--|---------|---------|---------|-------|
| | Carrying amount | Fair value | | | | | Carrying amount | Fair value | | | | |
| | Total | Carrying amount approximates fair value ¹ | Level 1 | Level 2 | Level 3 | Total | Total | Carrying amount approximates fair value ¹ | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | | | | | |
| Cash and balances at central banks | 169.4 | 169.4 | 0.1 | 0.0 | 0.0 | 169.4 | 192.8 | 192.7 | 0.1 | 0.0 | 0.0 | 192.8 |
| Loans and advances to banks | 14.8 | 14.0 | 0.0 | 0.7 | 0.0 | 14.8 | 15.5 | 14.8 | 0.0 | 0.7 | 0.0 | 15.5 |
| Receivables from securities financing transactions measured at amortized cost | 67.8 | 64.3 | 0.0 | 1.8 | 1.7 | 67.8 | 75.0 | 71.6 | 0.0 | 1.3 | 2.1 | 75.0 |
| Cash collateral receivables on derivative instruments | 35.0 | 35.0 | 0.0 | 0.0 | 0.0 | 35.0 | 30.5 | 30.5 | 0.0 | 0.0 | 0.0 | 30.5 |
| Loans and advances to customers | 387.2 | 134.3 | 0.0 | 45.9 | 194.7 | 374.9 | 397.8 | 163.1 | 0.0 | 43.8 | 190.1 | 396.9 |
| Other financial assets measured at amortized cost ² | 53.3 | 12.9 | 10.3 | 25.1 | 2.5 | 50.8 | 26.2 | 4.1 | 9.3 | 10.7 | 2.4 | 26.5 |
| Liabilities | | | | | | | | | | | | |
| Amounts due to banks | 11.6 | 8.9 | 0.0 | 2.7 | 0.0 | 11.6 | 13.1 | 9.1 | 0.0 | 4.0 | 0.0 | 13.1 |
| Payables from securities financing transactions measured at amortized cost | 4.2 | 3.5 | 0.0 | 0.7 | 0.0 | 4.2 | 5.5 | 4.1 | 0.0 | 1.5 | 0.0 | 5.5 |
| Cash collateral payables on derivative instruments | 36.4 | 36.4 | 0.0 | 0.0 | 0.0 | 36.4 | 31.8 | 31.8 | 0.0 | 0.0 | 0.0 | 31.8 |
| Customer deposits | 525.1 | 491.3 | 0.0 | 33.6 | 0.0 | 524.8 | 542.0 | 535.4 | 0.0 | 6.6 | 0.0 | 542.0 |
| Debt issued measured at amortized cost | 114.6 | 15.4 | 0.0 | 98.1 | 0.0 | 113.5 | 139.2 | 15.8 | 0.0 | 125.3 | 0.0 | 141.1 |
| Other financial liabilities measured at amortized cost ³ | 6.2 | 6.2 | 0.0 | 0.0 | 0.0 | 6.2 | 5.4 | 5.4 | 0.0 | 0.0 | 0.0 | 5.4 |

¹ Includes certain financial instruments where the carrying amount is a reasonable approximation of the fair value due to the instruments' short-term nature (instruments that are receivable or payable on demand, or with a remaining maturity (excluding the effects of callable features) of three months or less). ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for information. ³ Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions described below relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another. The following principles were applied when determining fair value estimates for financial instruments not measured at fair value:

- For financial instruments with remaining maturities greater than three months, the fair value was determined from quoted market prices, if available.
- Where quoted market prices were not available, the fair values were estimated by discounting contractual cash flows using current market interest rates or appropriate yield curves for instruments with similar credit risk and maturity. These estimates generally include adjustments for counterparty credit risk or UBS's own credit.
- For short-term financial instruments with remaining maturities of three months or less, the carrying amount, which is net of credit loss allowances, is generally considered a reasonable estimate of fair value.

Note 21 Offsetting financial assets and financial liabilities

UBS enters into netting agreements with counterparties to manage the credit risks associated primarily with repurchase and reverse repurchase transactions, securities borrowing and lending, over-the-counter derivatives, and exchange-traded derivatives. These netting agreements and similar arrangements generally enable the counterparties to set off liabilities against available assets received in the ordinary course of business and / or in the event that the counterparties to the transaction are unable to fulfill their contractual obligations.

The tables below provide a summary of financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements, as well as financial collateral received or pledged to mitigate credit exposures for these financial instruments.

The Group engages in a variety of counterparty credit risk mitigation strategies in addition to netting and collateral arrangements. Therefore, the net amounts presented in the tables below do not purport to represent their actual credit risk exposure.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

| | Assets subject to netting arrangements | | | | | | Assets not subject to netting arrangements ⁴ | Total assets | | |
|---|---|---|--|--|---------------------|---|---|--|---|--|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet ³ | | | | Assets recognized on the balance sheet | Total assets after consideration of netting potential | Total assets recognized on the balance sheet |
| | Gross assets before netting | Netting with gross liabilities ² | Net assets recognized on the balance sheet | Financial liabilities | Collateral received | Assets after consideration of netting potential | | | | |
| <i>As of 31.12.22, USD bn</i> | | | | | | | | | | |
| Receivables from securities financing transactions measured at amortized cost | 60.8 | (11.1) | 49.6 | (3.0) | (46.4) | 0.3 | 18.2 | 18.5 | 67.8 | |
| Derivative financial instruments | 147.4 | (2.5) | 144.9 | (110.9) | (28.5) | 5.5 | 5.2 | 10.7 | 150.1 | |
| Cash collateral receivables on derivative instruments ¹ | 33.5 | 0.0 | 33.5 | (20.9) | (1.9) | 10.6 | 1.5 | 12.1 | 35.0 | |
| Financial assets at fair value not held for trading | 85.6 | (76.8) | 8.7 | (1.5) | (7.3) | 0.0 | 51.0 | 51.0 | 59.8 | |
| <i>of which: reverse repurchase agreements</i> | <i>84.4</i> | <i>(76.8)</i> | <i>7.6</i> | <i>(1.5)</i> | <i>(6.1)</i> | <i>0.0</i> | <i>0.1</i> | <i>0.1</i> | <i>7.7</i> | |
| Total assets | 327.2 | (90.4) | 236.8 | (136.3) | (84.1) | 16.4 | 76.0 | 92.3 | 312.8 | |
| <i>As of 31.12.21, USD bn</i> | | | | | | | | | | |
| Receivables from securities financing transactions measured at amortized cost | 67.7 | (13.8) | 53.9 | (2.9) | (51.0) | 0.0 | 21.1 | 21.1 | 75.0 | |
| Derivative financial instruments | 116.0 | (3.6) | 112.4 | (88.9) | (18.5) | 5.0 | 5.7 | 10.7 | 118.1 | |
| Cash collateral receivables on derivative instruments ¹ | 29.4 | 0.0 | 29.4 | (15.2) | (3.3) | 11.0 | 1.1 | 12.1 | 30.5 | |
| Financial assets at fair value not held for trading | 93.1 | (87.6) | 5.5 | (1.1) | (4.4) | 0.0 | 54.6 | 54.6 | 60.1 | |
| <i>of which: reverse repurchase agreements</i> | <i>93.1</i> | <i>(87.6)</i> | <i>5.5</i> | <i>(1.1)</i> | <i>(4.4)</i> | <i>0.0</i> | <i>0.3</i> | <i>0.3</i> | <i>5.8</i> | |
| Total assets | 306.2 | (105.0) | 201.2 | (108.1) | (77.2) | 15.9 | 82.6 | 98.5 | 283.7 | |

¹ The net amount of Cash collateral receivables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. ² The logic of the table results in amounts presented in the "Netting with gross liabilities" column corresponding directly to the amounts presented in the "Netting with gross assets" column in the liabilities table presented below. Netting in this column for reverse repurchase agreements presented within the lines "Receivables from securities financing transactions measured at amortized cost" and "Financial assets at fair value not held for trading" taken together corresponds to the amounts presented for repurchase agreements in the "Payables from securities financing transactions measured at amortized cost" and "Other financial liabilities designated at fair value" lines in the liabilities table presented below. ³ For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial assets presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. ⁴ Includes assets not subject to enforceable netting arrangements and other out-of-scope items.

Note 21 Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

| | Liabilities subject to netting arrangements | | | | | | Liabilities not subject to netting arrangements ⁴ | Total liabilities | | |
|--|---|--|---|--|--------------------|--|--|---|--|---|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet ³ | | | | Liabilities recognized on the balance sheet | Total liabilities after consideration of netting potential | Total liabilities recognized on the balance sheet |
| | Gross liabilities before netting | Netting with gross assets ² | Net liabilities recognized on the balance sheet | Financial assets | Collateral pledged | Liabilities after consideration of netting potential | | | | |
| <i>As of 31.12.22, USD bn</i> | | | | | | | | | | |
| Payables from securities financing transactions measured at amortized cost | 14.1 | (11.1) | 3.0 | (1.3) | (1.8) | 0.0 | 1.2 | 1.2 | 4.2 | |
| Derivative financial instruments | 150.3 | (2.5) | 147.8 | (110.9) | (26.2) | 10.7 | 7.1 | 17.8 | 154.9 | |
| Cash collateral payables on derivative instruments ¹ | 34.9 | 0.0 | 34.9 | (20.0) | (1.9) | 13.0 | 1.6 | 14.5 | 36.4 | |
| Other financial liabilities designated at fair value | 92.5 | (76.9) | 15.6 | (3.2) | (12.4) | 0.0 | 14.6 | 14.6 | 30.2 | |
| <i>of which: repurchase agreements</i> | <i>92.1</i> | <i>(76.9)</i> | <i>15.3</i> | <i>(3.2)</i> | <i>(12.1)</i> | <i>0.0</i> | <i>0.1</i> | <i>0.1</i> | <i>15.3</i> | |
| Total liabilities | 291.7 | (90.4) | 201.3 | (135.3) | (42.3) | 23.7 | 24.5 | 48.1 | 225.8 | |
| <i>As of 31.12.21, USD bn</i> | | | | | | | | | | |
| Payables from securities financing transactions measured at amortized cost | 16.9 | (12.8) | 4.1 | (1.8) | (2.3) | 0.0 | 1.4 | 1.4 | 5.5 | |
| Derivative financial instruments | 118.4 | (3.6) | 114.9 | (88.9) | (18.1) | 7.9 | 6.4 | 14.3 | 121.3 | |
| Cash collateral payables on derivative instruments ¹ | 30.4 | 0.0 | 30.4 | (13.1) | (3.3) | 14.0 | 1.4 | 15.4 | 31.8 | |
| Other financial liabilities designated at fair value | 94.8 | (88.6) | 6.2 | (2.2) | (3.8) | 0.2 | 23.9 | 24.1 | 30.1 | |
| <i>of which: repurchase agreements</i> | <i>94.6</i> | <i>(88.6)</i> | <i>6.0</i> | <i>(2.2)</i> | <i>(3.8)</i> | <i>0.0</i> | <i>0.4</i> | <i>0.4</i> | <i>6.4</i> | |
| Total liabilities | 260.6 | (105.0) | 155.6 | (106.0) | (27.5) | 22.1 | 33.1 | 55.2 | 188.7 | |

1 The net amount of Cash collateral payables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. 2 The logic of the table results in amounts presented in the "Netting with gross assets" column corresponding to the amounts presented in the "Netting with gross liabilities" column in the assets table presented above. Netting in this column for repurchase agreements presented within the lines "Payables from securities financing transactions measured at amortized cost" and "Other financial liabilities designated at fair value" taken together corresponds to the amounts presented for reverse repurchase agreements in the "Receivables from securities financing transactions measured at amortized cost" and "Financial assets at fair value not held for trading" lines in the assets table presented above. 3 For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial liabilities presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. 4 Includes liabilities not subject to enforceable netting arrangements and other out-of-scope items.

Note 22 Restricted and transferred financial assets

This Note provides information about restricted financial assets (Note 22a), transfers of financial assets (Note 22b and 22c) and financial assets that are received as collateral with the right to resell or repledge these assets (Note 22d).

a) Restricted financial assets

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and other assets that are otherwise explicitly restricted such that they cannot be used to secure funding.

Financial assets are mainly pledged as collateral in securities lending transactions, in repurchase transactions, against loans from Swiss mortgage institutions and in connection with the issuance of covered bonds. The Group generally enters into repurchase and securities lending arrangements under standard market agreements. For securities lending, the cash received as collateral may be more or less than the fair value of the securities loaned, depending on the nature of the transaction. For repurchase agreements, the fair value of the collateral sold under an agreement to repurchase is generally in excess of the cash borrowed. Pledged mortgage loans serve as collateral for existing liabilities against Swiss central mortgage institutions and for existing covered bond issuances of USD 8,962m as of 31 December 2022 (31 December 2021: USD 10,843m).

Other restricted financial assets include assets protected under client asset segregation rules, assets held under unit-linked investment contracts to back related liabilities to the policy holders and assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements. The carrying amount of the liabilities associated with these other restricted financial assets is generally equal to the carrying amount of the assets, with the exception of assets held to comply with local asset maintenance requirements, for which the associated liabilities are greater.

Restricted financial assets

| <i>USD m</i> | 31.12.22 | | 31.12.21 | |
|---|---|--------|---|--------|
| | <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | | <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | |
| | Restricted financial assets | | Restricted financial assets | |
| Financial assets pledged as collateral | | | | |
| Financial assets at fair value held for trading | 57,377 | 36,742 | 63,725 | 43,397 |
| Loans and advances to customers ¹ | 15,195 | | 18,160 | |
| Financial assets at fair value not held for trading | 1,509 | 1,220 | 961 | 961 |
| Debt securities classified as Other financial assets measured at amortized cost | 3,432 | 2,685 | 2,234 | 1,870 |
| Total financial assets pledged as collateral | 77,513 | | 85,079 | |
| Other restricted financial assets | | | | |
| Loans and advances to banks | 3,689 | | 3,408 | |
| Financial assets at fair value held for trading | 162 | | 392 | |
| Cash collateral receivables on derivative instruments | 5,155 | | 4,747 | |
| Loans and advances to customers | 1,127 | | 1,237 | |
| Financial assets at fair value not held for trading | 14,478 | | 22,765 | |
| Financial assets measured at fair value through other comprehensive income | 1,842 | | 894 | |
| Other | 859 | | 97 | |
| Total other restricted financial assets | 27,312 | | 33,540 | |
| Total financial assets pledged and other restricted financial assets² | 104,825 | | 118,619 | |

¹ Mainly related to mortgage loans that serve as collateral for existing liabilities toward Swiss central mortgage institutions and for existing covered bond issuances. Of these pledged mortgage loans, approximately USD 3.1bn as of 31 December 2022 (31 December 2021: approximately USD 2.7bn) could be withdrawn or used for future liabilities or covered bond issuances without breaching existing collateral requirements.

² Does not include assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2022: USD 5.9bn; 31 December 2021: USD 4.4bn).

Note 22 Restricted and transferred financial assets (continued)

In addition to restrictions on financial assets, UBS Group AG and its subsidiaries are, in certain cases, subject to regulatory requirements that affect the transfer of dividends and capital within the Group, as well as intercompany lending. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, such as the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process, which may limit the relevant subsidiaries' ability to make distributions of capital based on the results of those tests.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries.

Non-regulated subsidiaries are generally not subject to such requirements and transfer restrictions. However, restrictions can also be the result of different legal, regulatory, contractual, entity- or country-specific arrangements and / or requirements.

- ▶ Refer to the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report for financial information about significant regulated subsidiaries of the Group

b) Transferred financial assets that are not derecognized in their entirety

The table below presents information for financial assets that have been transferred but are subject to continued recognition in full, as well as recognized liabilities associated with those transferred assets.

Transferred financial assets subject to continued recognition in full

| USD m | 31.12.22 | | 31.12.21 | |
|---|---------------------------------------|---|---------------------------------------|---|
| | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet |
| Financial assets at fair value held for trading that may be sold or repledged by counterparties | 36,742 | 16,470 | 43,397 | 17,687 |
| <i>relating to securities lending and repurchase agreements in exchange for cash received</i> | 16,756 | 16,470 | 17,970 | 17,687 |
| <i>relating to securities lending agreements in exchange for securities received</i> | 18,908 | | 24,146 | |
| <i>relating to other financial asset transfers</i> | 1,078 | | 1,281 | |
| Financial assets at fair value not held for trading that may be sold or repledged by counterparties | 1,220 | 1,050 | 961 | 898 |
| Debt securities classified as Other financial assets measured at amortized cost that may be sold or repledged by counterparties | 2,685 | 2,302 | 1,870 | 1,725 |
| Total financial assets transferred | 40,647 | 19,822 | 46,227 | 20,311 |

Transactions in which financial assets are transferred, but continue to be recognized in their entirety on UBS's balance sheet include securities lending and repurchase agreements, as well as other financial asset transfers. Repurchase and securities lending arrangements are, for the most part, conducted under standard market agreements and are undertaken with counterparties subject to UBS's normal credit risk control processes.

- ▶ Refer to Note 1a item 2e for more information about repurchase and securities lending agreements

As of 31 December 2022, approximately 45% of the transferred financial assets were assets held for trading transferred in exchange for cash, in which case the associated recognized liability represents the amount to be repaid to counterparties. For securities lending and repurchase agreements, a haircut of between 0% and 15% is generally applied to the transferred assets, which results in associated liabilities having a carrying amount below the carrying amount of the transferred assets. The counterparties to the associated liabilities presented in the table above have full recourse to UBS.

In securities lending arrangements entered into in exchange for the receipt of other securities as collateral, neither the securities received nor the obligation to return them are recognized on UBS's balance sheet, as the risks and rewards of ownership are not transferred to UBS. In cases where such financial assets received are subsequently sold or repledged in another transaction, this is not considered to be a transfer of financial assets.

Other financial asset transfers primarily include securities transferred to collateralize derivative transactions, for which the carrying amount of associated liabilities is not provided in the table above, because those replacement values are managed on a portfolio basis across counterparties and product types, and therefore there is no direct relationship between the specific collateral pledged and the associated liability.

Transferred financial assets that are not subject to derecognition in full but remain on the balance sheet to the extent of the Group's continuing involvement were not material as of 31 December 2022 and as of 31 December 2021.

Note 22 Restricted and transferred financial assets (continued)

c) Transferred financial assets that are derecognized in their entirety with continuing involvement

Continuing involvement in a transferred and fully derecognized financial asset may result from contractual provisions in the particular transfer agreement or from a separate agreement, with the counterparty or a third party, entered into in connection with the transfer.

The fair value and carrying amount of UBS's continuing involvement from transferred positions as of 31 December 2022 and 31 December 2021 was not material. Life-to-date losses reported in prior periods primarily relate to legacy positions in securitization vehicles that have been fully marked down, with no remaining exposure to loss.

d) Off-balance sheet assets received

The table below presents assets received from third parties that can be sold or repledged and that are not recognized on the balance sheet, but that are held as collateral, including amounts that have been sold or repledged.

Off-balance sheet assets received

| USD m | 31.12.22 | 31.12.21 |
|--|----------|----------|
| Fair value of assets received that can be sold or repledged | 434,023 | 497,828 |
| received as collateral under reverse repurchase, securities borrowing and lending arrangements, derivative and other transactions ¹ | 418,847 | 483,426 |
| received in unsecured borrowings | 15,175 | 14,402 |
| Thereof sold or repledged ² | 331,805 | 367,440 |
| in connection with financing activities | 288,752 | 319,176 |
| to satisfy commitments under short sale transactions | 29,515 | 31,688 |
| in connection with derivative and other transactions ¹ | 13,538 | 16,575 |

¹ Includes securities received as initial margin from its clients that UBS is required to remit to central counterparties, brokers and deposit banks through its exchange-traded derivative clearing and execution services.
² Does not include off-balance sheet securities (31 December 2022: USD 9.9bn; 31 December 2021: USD 12.7bn) placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes for which there are no associated liabilities or contingent liabilities.

Note 23 Maturity analysis of assets and liabilities

a) Maturity analysis of carrying amounts of assets and liabilities

The table below provides an analysis of carrying amounts of balance sheet assets and liabilities, as well as off-balance sheet exposures by residual contractual maturity as of the reporting date. The residual contractual maturity of assets includes the effect of callable features. The residual contractual maturity of liabilities and off-balance sheet exposures is based on the earliest date on which a third party could require UBS to pay.

Derivative financial instruments and financial assets and liabilities at fair value held for trading are presented in the *Due within 1 month* column; however, the respective contractual maturities may extend over significantly longer periods.

Assets held to hedge unit-linked investment contracts (presented within *Financial assets at fair value not held for trading*) are presented in the *Due within 1 month* column, consistent with the maturity assigned to the related amounts due under unit-linked investment contracts (presented within *Other financial liabilities designated at fair value*).

Other financial assets and liabilities with no contractual maturity, such as equity securities, are presented in the *Perpetual / Not applicable* column. Undated or perpetual instruments are classified based on the contractual notice period that the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are presented in the *Perpetual / Not applicable* column.

Non-financial assets and liabilities with no contractual maturity are generally included in the *Perpetual / Not applicable* column.

Loan commitments are classified based on the earliest date they can be drawn down.

Note 23 Maturity analysis of assets and liabilities (continued)

| USD bn | 31.12.22 | | | | | | Perpetual / Not applicable | Total |
|---|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | |
| Assets | | | | | | | | |
| Total financial assets measured at amortized cost ¹ | 422.6 | 28.7 | 34.4 | 78.7 | 70.4 | 92.7 | | 727.6 |
| <i>Loans and advances to customers</i> | 139.4 | 16.3 | 28.3 | 74.9 | 55.5 | 72.9 | | 387.2 |
| Total financial assets measured at fair value through profit or loss | 300.2 | 10.0 | 7.8 | 3.6 | 9.9 | 2.0 | 1.9 | 335.3 |
| <i>Financial assets at fair value not held for trading</i> | 24.6 | 10.0 | 7.8 | 3.6 | 9.9 | 2.0 | 1.9 | 59.8 |
| Financial assets measured at fair value through other comprehensive income ¹ | 0.3 | 0.9 | 0.9 | 0.1 | 0.0 | 0.0 | | 2.2 |
| Total non-financial assets | 7.6 | | 0.2 | | 2.0 | 0.4 | 29.0 | 39.2 |
| Total assets | 730.7 | 39.6 | 43.4 | 82.4 | 82.3 | 95.1 | 31.0 | 1,104.4 |
| Liabilities | | | | | | | | |
| Total financial liabilities measured at amortized cost | 521.9 | 40.0 | 49.6 | 20.5 | 35.1 | 23.4 | 11.1 | 701.5 |
| <i>Customer deposits</i> | 463.0 | 28.3 | 23.8 | 7.5 | 2.2 | 0.3 | | 525.1 |
| <i>Debt issued measured at amortized cost</i> | 6.6 | 8.8 | 23.3 | 11.9 | 31.1 | 21.9 | 11.1 | 114.6 |
| <i>of which: non-subordinated fixed rate debt</i> | 3.1 | 4.0 | 13.2 | 7.6 | 28.4 | 21.9 | | 78.1 |
| <i>of which: non-subordinated floating rate debt</i> | 1.5 | 4.8 | 10.1 | 1.9 | 2.2 | 0.0 | | 20.5 |
| <i>of which: subordinated fixed-rate debt</i> | 2.0 | | | 2.4 | 0.5 | | 11.1 | 16.0 |
| Total financial liabilities measured at fair value through profit or loss ² | 265.9 | 13.8 | 16.3 | 19.6 | 7.3 | 10.5 | | 333.4 |
| <i>Debt issued designated at fair value</i> | 9.3 | 12.3 | 15.9 | 19.3 | 6.9 | 10.0 | | 73.6 |
| <i>of which: non-subordinated fixed rate debt</i> | 0.5 | 2.3 | 5.6 | 3.6 | 2.0 | 3.4 | | 17.4 |
| <i>of which: non-subordinated floating rate debt</i> | 8.8 | 10.0 | 10.3 | 15.7 | 4.9 | 6.6 | | 56.2 |
| Total non-financial liabilities | 7.2 | 3.0 | | | | | 2.1 | 12.3 |
| Total liabilities | 795.1 | 56.7 | 65.9 | 40.1 | 42.4 | 33.9 | 13.2 | 1,047.1 |
| Guarantees, loan commitments and forward starting transactions³ | | | | | | | | |
| Loan commitments | 39.3 | 0.3 | 0.4 | 0.0 | | | | 40.0 |
| Guarantees | 22.4 | | | | | | | 22.4 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 3.8 | | | | | | | 3.8 |
| Total | 65.4 | 0.3 | 0.4 | 0.0 | | | | 66.2 |

| USD bn | 31.12.21 | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | |
| Assets | | | | | | | | |
| Total financial assets measured at amortized cost | 453.7 | 45.9 | 43.1 | 53.7 | 64.1 | 77.3 | | 737.8 |
| <i>Loans and advances to customers</i> | 157.2 | 28.7 | 37.2 | 49.6 | 54.9 | 70.1 | | 397.8 |
| Total financial assets measured at fair value through profit or loss | 300.5 | 5.8 | 8.1 | 5.2 | 7.1 | 2.5 | 1.8 | 330.9 |
| <i>Financial assets at fair value not held for trading</i> | 29.7 | 5.8 | 8.1 | 5.2 | 7.1 | 2.5 | 1.8 | 60.1 |
| Financial assets measured at fair value through other comprehensive income | 0.1 | 0.4 | 0.7 | 0.1 | 0.4 | 7.1 | | 8.8 |
| Total non-financial assets | 7.7 | 0.5 | 0.1 | 0.2 | 1.4 | 0.3 | 29.4 | 39.7 |
| Total assets | 761.9 | 52.6 | 52.0 | 59.2 | 73.0 | 87.2 | 31.2 | 1,117.2 |
| Liabilities | | | | | | | | |
| Total financial liabilities measured at amortized cost | 581.6 | 20.1 | 48.4 | 17.0 | 35.6 | 24.4 | 13.5 | 740.6 |
| <i>Customer deposits</i> | 530.1 | 5.2 | 3.2 | 1.6 | 1.5 | 0.3 | | 542.0 |
| <i>Debt issued measured at amortized cost</i> | 3.7 | 12.1 | 39.8 | 14.9 | 32.5 | 22.7 | 13.5 | 139.2 |
| <i>of which: non-subordinated fixed rate debt</i> | 3.7 | 10.8 | 28.8 | 10.6 | 26.0 | 22.7 | | 102.6 |
| <i>of which: non-subordinated floating rate debt</i> | | 1.3 | 9.0 | 4.3 | 3.3 | | | 17.9 |
| <i>of which: subordinated fixed-rate debt</i> | | | 2.0 | | 3.1 | | 13.5 | 18.6 |
| Total financial liabilities measured at fair value through profit or loss ² | 237.7 | 12.0 | 14.7 | 18.8 | 5.6 | 12.2 | | 300.9 |
| <i>Debt issued designated at fair value</i> | 12.5 | 11.6 | 14.1 | 18.6 | 5.4 | 11.5 | | 73.8 |
| <i>of which: non-subordinated fixed rate debt</i> | 0.8 | 1.2 | 2.9 | 1.2 | 1.3 | 4.8 | | 12.2 |
| <i>of which: non-subordinated floating rate debt</i> | 11.7 | 10.3 | 11.2 | 17.4 | 4.2 | 6.8 | | 61.6 |
| Total non-financial liabilities | 9.3 | 3.0 | | | | | 2.4 | 14.7 |
| Total liabilities | 828.6 | 35.1 | 63.0 | 35.8 | 41.2 | 36.6 | 15.9 | 1,056.2 |
| Guarantees, loan commitments and forward starting transactions³ | | | | | | | | |
| Loan commitments | 38.3 | 0.5 | 0.7 | 0.0 | | | | 39.5 |
| Guarantees | 21.2 | | | | | | | 21.2 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 1.4 | | | | | | | 1.4 |
| Total | 60.9 | 0.5 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 62.1 |

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1b for more information. ² As of 31 December 2022 and 31 December 2021, the contractual redemption amount at maturity of debt issued designated at fair value through profit or loss and other financial liabilities measured at fair value through profit or loss was not materially different from the carrying amount. ³ The notional amounts associated with derivative loan commitments, as well as forward starting repurchase and reverse repurchase agreements, measured at fair value through profit or loss are presented together with notional amounts related to derivative instruments and have been excluded from the table above. Refer to Note 10 for more information.

Note 23 Maturity analysis of assets and liabilities (continued)

b) Maturity analysis of financial liabilities on an undiscounted basis

The table below provides an analysis of financial liabilities on an undiscounted basis, including all cash flows relating to principal and future interest payments. The residual contractual maturities for non-derivative and non-trading financial liabilities are based on the earliest date on which UBS could be contractually required to pay. Derivative positions and trading liabilities, predominantly made up of short sale transactions, are presented in the *Due within 1 month* column, as this provides a conservative reflection of the nature of these trading activities. The residual contractual maturities may extend over significantly longer periods.

| USD bn | 31.12.22 | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | |
| Financial liabilities recognized on balance sheet¹ | | | | | | | | |
| Amounts due to banks | 6.3 | 2.6 | 1.9 | 0.3 | 0.6 | 0.0 | | 11.7 |
| Payables from securities financing transactions | 3.3 | 0.3 | 0.4 | 0.3 | | | | 4.4 |
| Cash collateral payables on derivative instruments | 36.4 | | | | | | | 36.4 |
| Customer deposits | 463.1 | 28.5 | 24.5 | 8.0 | 2.4 | 0.3 | | 526.9 |
| Debt issued measured at amortized cost ² | 6.8 | 9.4 | 24.8 | 14.4 | 37.9 | 28.0 | 11.9 | 133.4 |
| Other financial liabilities measured at amortized cost | 4.7 | 0.1 | 0.5 | 0.5 | 1.3 | 1.4 | | 8.5 |
| <i>of which: lease liabilities</i> | <i>0.1</i> | <i>0.1</i> | <i>0.5</i> | <i>0.5</i> | <i>1.3</i> | <i>1.4</i> | | <i>3.8</i> |
| Total financial liabilities measured at amortized cost | 520.7 | 40.9 | 52.1 | 23.6 | 42.3 | 29.7 | 11.9 | 721.2 |
| Financial liabilities at fair value held for trading ^{3,4} | 29.5 | | | | | | | 29.5 |
| Derivative financial instruments ^{3,5} | 154.9 | | | | | | | 154.9 |
| Brokerage payables designated at fair value | 45.1 | | | | | | | 45.1 |
| Debt issued designated at fair value ⁶ | 9.4 | 12.4 | 16.1 | 19.7 | 7.1 | 18.8 | | 83.4 |
| Other financial liabilities designated at fair value | 27.1 | 1.4 | 0.4 | 0.4 | 0.5 | 0.8 | | 30.6 |
| Total financial liabilities measured at fair value through profit or loss | 266.0 | 13.8 | 16.4 | 20.0 | 7.6 | 19.6 | | 343.5 |
| Total | 786.8 | 54.7 | 68.6 | 43.6 | 49.8 | 49.3 | 11.9 | 1,064.7 |
| Guarantees, commitments and forward starting transactions | | | | | | | | |
| Loan commitments ⁷ | 39.3 | 0.3 | 0.4 | 0.0 | | | | 40.0 |
| Guarantees | 22.4 | | | | | | | 22.4 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements ⁷ | 3.8 | | | | | | | 3.8 |
| Total | 65.4 | 0.3 | 0.4 | 0.0 | | | | 66.2 |
| 31.12.21 | | | | | | | | |
| USD bn | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | Perpetual / Not applicable | Total |
| Financial liabilities recognized on balance sheet¹ | | | | | | | | |
| Amounts due to banks | 6.7 | 2.4 | 3.5 | 0.0 | 0.5 | | | 13.1 |
| Payables from securities financing transactions | 3.8 | 0.3 | 1.6 | 0.0 | | | | 5.7 |
| Cash collateral payables on derivative instruments | 31.8 | | | | | | | 31.8 |
| Customer deposits | 530.1 | 5.2 | 3.3 | 1.7 | 1.5 | 0.4 | | 542.3 |
| Debt issued measured at amortized cost ² | 4.0 | 12.7 | 41.1 | 16.7 | 36.9 | 24.3 | 13.3 | 148.9 |
| Other financial liabilities measured at amortized cost | 4.5 | 0.1 | 0.5 | 0.6 | 1.3 | 1.6 | | 8.4 |
| <i>of which: lease liabilities</i> | <i>0.1</i> | <i>0.1</i> | <i>0.5</i> | <i>0.6</i> | <i>1.3</i> | <i>1.6</i> | | <i>4.0</i> |
| Total financial liabilities measured at amortized cost | 580.9 | 20.8 | 49.9 | 19.0 | 40.3 | 26.2 | 13.3 | 750.2 |
| Financial liabilities at fair value held for trading ^{3,4} | 31.7 | | | | | | | 31.7 |
| Derivative financial instruments ^{3,5} | 121.3 | | | | | | | 121.3 |
| Brokerage payables designated at fair value | 44.0 | | | | | | | 44.0 |
| Debt issued designated at fair value ⁶ | 13.8 | 11.5 | 13.5 | 18.8 | 5.7 | 18.5 | | 81.9 |
| Other financial liabilities designated at fair value | 28.1 | 0.4 | 0.5 | 0.2 | 0.2 | 1.1 | | 30.5 |
| Total financial liabilities measured at fair value through profit or loss | 239.0 | 11.9 | 14.0 | 19.0 | 5.9 | 19.6 | | 309.4 |
| Total | 819.8 | 32.7 | 63.9 | 38.0 | 46.1 | 45.9 | 13.3 | 1,059.6 |
| Guarantees, commitments and forward starting transactions | | | | | | | | |
| Loan commitments ⁷ | 38.3 | 0.5 | 0.7 | 0.0 | | | | 39.5 |
| Guarantees | 21.2 | | | | | | | 21.2 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements ⁷ | 1.4 | | | | | | | 1.4 |
| Total | 60.9 | 0.5 | 0.7 | 0.0 | | | | 62.1 |

¹ Except for financial liabilities at fair value held for trading and derivative financial instruments (see footnote 3), the amounts presented generally represent undiscounted cash flows of future interest and principal payments. ² The time-bucket Perpetual / Not applicable includes perpetual loss-absorbing additional tier 1 capital instruments. ³ Carrying amount is fair value. Management believes that this best represents the cash flows that would have to be paid if these positions had to be settled or closed out. ⁴ Contractual maturities of financial liabilities at fair value held for trading are: USD 27.8bn due within 1 month (31 December 2021: USD 30.8bn), USD 1.7bn due between 1 month and 1 year (31 December 2021: USD 0.9bn) and USD 0bn due between 1 and 5 years (31 December 2021: USD 0bn). ⁵ Includes USD 46m (31 December 2021: USD 34m) related to fair values of derivative loan commitments and forward starting reverse repurchase agreements classified as derivatives, presented within "Due within 1 month." The full contractual committed amount of USD 34.4bn (31 December 2021: USD 36.0bn) is presented in Note 10 under notional amounts. ⁶ Future interest payments on variable-rate liabilities are determined by reference to the applicable interest rate prevailing as of the reporting date. Future principal payments that are variable are determined by reference to the conditions existing at the relevant reporting date. ⁷ Excludes derivative loan commitments and forward starting reverse repurchase agreements measured at fair value (see footnote 5).

Note 24 Interest rate benchmark reform

Background

A market-wide reform of major interest rate benchmarks is being undertaken globally. The publication of London Interbank Offered Rates (LIBORs) ceased immediately after 31 December 2021 for all non-US dollar LIBORs, as well as for one-week and two-month USD LIBOR. Publication of the remaining USD LIBOR tenors will cease immediately after 30 June 2023.

In December 2022, the FCA consulted on the continued publication of one-, three- and six-month USD LIBOR under a synthetic format until the end of September 2024 to ensure an orderly winding down of remaining contracts that are not governed by US law. In addition, in December 2022, the US Federal Reserve Board adopted the final rules that implement the Adjustable Interest Rate (LIBOR) Act, which is substantially based on, and supersedes, the New York State LIBOR legislation. The Adjustable Interest Rate (LIBOR) Act provides a legislative solution for USD LIBOR legacy products governed by any US state law should such products fail to transition prior to the USD LIBOR cessation date of 30 June 2023.

A framework has been established within UBS to address the transition of contracts that do not contain adequate fallback provisions and to cease entering into new LIBOR contracts, with the exception of specific circumstances that are allowed by regulatory provisions for USD LIBOR.

Governance over the transition to alternative benchmark rates

Throughout the transition process UBS has been maintaining a global cross-divisional, cross-functional governance structure and change program to address the scale and complexity of the transition. This global program is sponsored by the Group CFO and led by senior representatives from the business divisions and UBS's control and support functions. The program includes governance and execution structures within each business division, together with cross-divisional teams from each control and support function. During 2022, progress was overseen centrally via a monthly Group LIBOR Transition Forum with an increased US regional focus.

Risks

A core part of UBS's change program is the identification, management and monitoring of the risks associated with IBOR reform and transition. These risks include, but are not limited to, the following:

- economic risks to UBS and its clients, through the repricing of existing contracts, reduced transparency and / or liquidity of pricing information, market uncertainty or disruption;
- accounting risks, where the transition affects the accounting treatment, including hedge accounting and consequential income statement volatility;
- valuation risks arising from the variation between benchmarks that will cease and ARR, affecting the risk profile of financial instruments;
- operational risks arising from changes to UBS's front-to-back processes and systems to accommodate the transition (e.g., data sourcing and processing and bulk migration of contracts); and
- legal and conduct risks relating to UBS's engagement with clients and market counterparties around new benchmark products and amendments required for existing contracts referencing benchmarks that will cease.

Overall, the effort required to transition is affected by multiple factors, including whether negotiations need to take place with multiple stakeholders (as is the case for syndicated loans or certain listed securities), market readiness and a client's technical readiness to handle ARR market conventions. UBS remains confident that it has the transparency, oversight and operational preparedness to progress with the IBOR transition consistent with market timelines, given the significant progress made as of 31 December 2022. UBS did not have and does not expect changes to its risk management approach and strategy as a result of interest rate benchmark reform.

Transition progress

UBS's significant non-derivative exposures subject to IBOR reform primarily related to brokerage receivable and payable balances, corporate and private loans, and mortgages, linked to CHF and USD LIBORs. During 2020, UBS transitioned most of its CHF LIBOR-linked deposits to the Swiss Average Overnight Rate (SARON). In that same year, UBS launched SARON-based mortgages and corporate loans based on all major ARRs in the Swiss market, as well as Secure Overnight Financing Rate (SOFR)-based mortgages in the US market.

Throughout 2021, UBS transitioned substantially all of its private and corporate loans linked to non-USD IBORs, with the remaining CHF LIBOR-linked contracts transitioning on their first roll date in 2022. In addition, as of 31 December 2021 UBS had completed the transition of IBOR-linked non-derivative financial assets and liabilities related to brokerage accounts, except for balances originated in the US, which transitioned to SOFR in January 2022.

Note 24 Interest rate benchmark reform (continued)

In 2022, UBS focused its efforts on the transition of USD LIBOR and the remaining non-USD LIBOR contracts, by leveraging industry solutions (e.g., the use of fallback provisions), through third-party actions (those by clearing houses, agents, etc.) and bi-lateral contract negotiations. As of 31 December 2022, the transition of non-USD IBORs is substantially complete.

In addition, in 2022, substantially all US securities-based lending has been transitioned to SOFR and UBS continues to make good progress on the transition of the remaining USD LIBOR non-derivative assets and liabilities, with the US mortgage portfolio of USD 9bn (31 December 2021: USD 11bn) the largest remaining exposure left to transition.

In August 2022, to facilitate the transition of derivatives linked to the USD LIBOR Swap Rate, UBS adhered to the June 2022 Benchmark Module of the ISDA 2021 Fallbacks Protocol on the USD LIBOR Swap Rate. UBS will begin gradually transitioning USD LIBOR derivatives not transacted with clearing houses or exchanges from the first quarter of 2023. The transition of USD LIBOR-cleared derivatives is planned to commence in the second quarter of 2023.

As of 31 December 2022, UBS had approximately USD 3bn equivalent of yen- and US dollar-denominated publicly issued benchmark bonds that, per current contractual terms, if not called on their respective call dates, would reset based directly on JPY LIBOR and USD LIBOR. In addition, certain US dollar-denominated benchmark bonds publicly issued by UBS reference rates indirectly derived from IBORs, if they are not called on their respective call dates. These bonds have robust IBOR fallback language and the confirmation of interest rate calculation mechanics will be communicated as market standards formalize and in advance of any rate resets. These debt instruments have not been included in the table below, given their current fixed-rate coupon.

Financial instruments yet to transition to alternative benchmarks

The amounts included in the table below relate to financial instrument contracts across UBS's business divisions where UBS has material exposures subject to IBOR reform that have not yet transitioned to ARRs, and that:

- contractually reference an interest rate benchmark that will transition to an alternative benchmark; and
- have a contractual maturity date (including open-ended contracts) after the agreed cessation dates.

Contracts where penalty terms reference IBORs, or where exposure to an IBOR is not the primary purpose of the contract, have not been included, as these contracts do not have a material impact on the transition process.

In line with information provided to management and external parties monitoring UBS's transition progress, the table below includes the following financial metrics for instruments external to the Group that are subject to interest rate benchmark reform:

- gross carrying value / exposure for non-derivative financial instruments; and
- total trade count for derivative financial instruments.

The exposures included in the table below reflect the maximum IBOR exposure, without regard for early termination rights, with the actual exposure being dependent upon client preferences and investment decisions.

As of 31 December 2022, UBS had made significant progress in transitioning LIBOR exposures to ARRs. The remaining USD LIBOR-linked exposures included in the table below primarily relate to derivatives and US mortgages, with the transition planned to be completed by 30 June 2023.

| Measure | LIBOR benchmark rates | | | | | | |
|---|-----------------------|---------------------|-----------------------|---------------------|------------------|--------------------|------------------|
| | 31.12.22 ¹ | 31.12.21 | | | | | |
| | USD | USD | CHF | GBP | EUR ² | JPY | |
| Carrying value of non-derivative financial instruments | | | | | | | |
| Total non-derivative financial assets | USD m | 14,269 ³ | 65,234 ³ | 21,616 ⁴ | 45 ⁵ | 1 | 0 |
| Total non-derivative financial liabilities | USD m | 1,138 ⁵ | 1,985 ⁵ | 27 ⁵ | 3 ⁵ | 5 ⁶ | 0 |
| Trade count of derivative financial instruments | | | | | | | |
| Total derivative financial instruments | Trade count | 32,006 ⁷ | 40,500 ^{7,8} | 829 ⁹ | 183 ⁹ | 3,744 ⁹ | 184 ⁹ |
| Off-balance sheet exposures | | | | | | | |
| Total irrevocable loan commitments | USD m | 4,606 ¹⁰ | 11,863 ¹¹ | 0 | 0 | 0 | 0 |

¹ As of 31 December 2022, non-USD balances and trade counts are minimal. ² Relates primarily to EUR LIBOR positions. ³ Includes USD 1bn (31 December 2021: USD 1bn) of loans related to revolving multi-currency credit lines, where IBOR transition efforts are complete, except for USD LIBOR. Balances as of 31 December 2021 also include USD 37bn USD LIBOR securities-based lending and USD 5bn brokerage accounts, which for the most part transitioned to SOFR in January 2022. The remaining balances as of 31 December 2022 and 31 December 2021 primarily relate to US mortgages and corporate lending. ⁴ Relates primarily to CHF LIBOR mortgages, which have automatically transitioned to SARON on their first roll date in 2022. ⁵ Relates to floating-rate notes that per their contractual terms can reset to rates linked to LIBOR, with transition dependent upon the actions of respective issuers. ⁶ Relates to contracts that transitioned in January 2022. ⁷ Includes approximately 2,000 (31 December 2021: 1,000) contracts having a contractual maturity after 30 June 2023, with the last USD LIBOR fixing occurring before 30 June 2023. No further contractual fixing is required for these contracts. ⁸ Includes approximately 5,000 cross-currency derivatives, of which approximately 500 have both a non-USD LIBOR leg and a USD LIBOR leg, where the non-USD leg transitioned in January 2022 before the next fixing date. The remainder represents cross-currency swaps with an ARR leg and a USD IBOR leg. ⁹ Includes predominantly bilateral derivatives, which transitioned in January 2022, and an insignificant amount of cleared derivatives, where the respective clearing houses' organized transition happened in January 2022. ¹⁰ Includes approximately USD 3bn of loan commitments that can be drawn in different currencies, however only USD LIBOR transition efforts remain open, with completion scheduled for 2023. ¹¹ Includes loan commitments that can be drawn in different currencies at the client's discretion, of which approximately USD 3bn have only USD LIBOR exposure remaining and approximately USD 2bn retain a non-USD LIBOR interest rate, with transition dependent upon the actions of other parties. The remainder represents loan commitments that can be drawn in US dollars only and will transition on or before 30 June 2023.

Derivatives designated in hedge accounting relationships

The Group applies hedge accounting to interest rate risk and foreign exchange risk, including structural foreign exchange risk related to net investments in foreign operations.

- › Refer to “Market risk” in the “Risk management and control” section of this report for more information about how risks arise and how they are managed by the Group

Hedging instruments and hedged risk

Interest rate swaps are designated in fair value hedges or cash flow hedges of interest rate risk arising solely from changes in benchmark interest rates. Fair value changes arising from such risk are usually the largest component of the overall change in the fair value of the hedged position in transaction currency.

Cross-currency swaps are designated as fair value hedges of foreign exchange risk. Foreign exchange forwards and foreign exchange swaps are mainly designated as hedges of structural foreign exchange risk related to net investments in foreign operations. In both cases the hedged risk arises solely from changes in the spot foreign exchange rate.

The notional of the designated hedging instruments matches the notional of the hedged items, except when the interest rate swaps are re-designated in cash flow hedges, in which case the hedge ratio designated is determined based on the swap sensitivity.

Hedged items and hedge designation

Fair value hedges of interest rate risk related to debt instruments and loan assets

Fair value hedges of interest rate risk related to debt instruments and loan assets involve swapping fixed cash flows associated with the debt issued, debt securities held and long-term fixed-rate mortgage loans in Swiss francs to floating cash flows by entering into interest rate swaps that either receive fixed and pay floating cash flows or that pay fixed and receive floating cash flows.

Designations have been made in US dollars, euro, Swiss francs, Australian dollars, yen, pounds sterling and Singapore dollars. For new hedging instruments and hedged risk designations entered into starting from 2021 in these currencies (with the exception of euro), the benchmark rate was the relevant alternative reference rate (ARR). Following the interbank offered rate (IBOR) transition for swaps with LCH (formerly the London Clearing House) in December 2021, the benchmark hedge rate for Swiss franc, yen and pound sterling designations was changed from an IBOR rate to the relevant ARR with the hedge relationship continuing in accordance with *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*.

Cash flow hedges of forecast transactions

The Group hedges forecast cash flows on non-trading financial assets and liabilities that bear interest at variable rates or are expected to be refinanced or reinvested in the future, due to movements in future market rates. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the non-trading interest rate risk of the Group, which is hedged with interest rate swaps, the maximum maturity of which is 15 years. Cash flow forecasts and risk exposures are monitored and adjusted on an ongoing basis, and consequently additional hedging instruments are traded and designated, or are terminated resulting in a hedge discontinuance. Hedge designations have been made in the following currencies: US dollars, euro, Swiss francs, pounds sterling and Hong Kong dollars. The cash flow hedges in Swiss francs, pounds sterling and certain cash flow hedges in US dollars were discontinued and replaced with new ARR designations in December 2021. In addition, the transition of floating rate hedged items in USD to ARR rates in January 2022 resulted in the update of the hedged risk to ARR in the affected hedge relationships without discontinuation of hedge accounting in accordance with *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*.

Fair value hedges of foreign exchange risk related to issued debt instruments

Debt instruments denominated in currencies other than the US dollar are designated in fair value hedges of spot foreign exchange risk, in addition to and separate from the fair value hedges of interest rate risk. Cross-currency swaps economically convert debt denominated in currencies other than the US dollar to US dollars.

Hedges of net investments in foreign operations

The Group applies hedge accounting for certain net investments in foreign operations, which include subsidiaries, branches and associates. Upon maturity of hedging instruments, typically two months, the hedge relationship is terminated and new designations are made to reflect any changes in the net investments in foreign operations.

Note 25 Hedge accounting (continued)

Economic relationship between hedged item and hedging instrument

The economic relationship between the hedged item and the hedging instrument is determined based on a qualitative analysis of their critical terms. In cases where hedge designation takes place after origination of the hedging instrument, a quantitative analysis of the possible behavior of the hedging derivative and the hedged item during their respective terms is also performed.

Sources of hedge ineffectiveness

In hedges of interest rate risk, hedge ineffectiveness can arise from mismatches of critical terms and / or the use of different curves to discount the hedged item and instrument, or from entering into a hedge relationship after the trade date of the hedging derivative.

In hedges of foreign exchange risk related to debt issued, hedge ineffectiveness can arise due to the discounting of the hedging instruments and undesignated risk components and lack of such discounting and risk components in the hedged items.

In hedges of net investments in foreign operations, ineffectiveness is unlikely unless the hedged net assets fall below the designated hedged amount. The exceptions are hedges where the hedging currency is not the same as the currency of the foreign operation, where the currency basis may cause ineffectiveness.

Hedge ineffectiveness from financial instruments measured at fair value through profit or loss is recognized in *Other net income*.

Derivatives not designated in hedge accounting relationships

Non-hedge accounted derivatives are mandatorily held for trading with all fair value movements taken to *Other net income from financial instruments measured at fair value through profit or loss*, even when held as an economic hedge or to facilitate client clearing. The one exception relates to forward points on certain short- and long-duration foreign exchange contracts acting as economic hedges, which are reported in *Net interest income*.

All hedges: designated hedging instruments and hedge ineffectiveness

| USD m | As of or for the year ended | | | | | |
|---|-----------------------------|----------------------------------|-----|---|--|--|
| | 31.12.22 | | | | | |
| | Notional amount | Carrying amount | | Changes in fair value of hedging instruments ¹ | Changes in fair value of hedged items ¹ | Hedge ineffectiveness recognized in the income statement |
| Derivative financial assets | | Derivative financial liabilities | | | | |
| Interest rate risk | | | | | | |
| Fair value hedges | 92,415 | 0 | 0 | (5,195) | 5,169 | (27) |
| Cash flow hedges | 75,304 | 2 | 5 | (5,813) | 5,760 | (53) |
| Foreign exchange risk | | | | | | |
| Fair value hedges ² | 20,566 | 845 | 3 | (1,088) | 1,105 | 18 |
| Hedges of net investments in foreign operations | 14,009 | 7 | 529 | 336 | (337) | (1) |

| USD m | As of or for the year ended | | | | | |
|---|-----------------------------|----------------------------------|-----|---|--|--|
| | 31.12.21 | | | | | |
| | Notional amount | Carrying amount | | Changes in fair value of hedging instruments ¹ | Changes in fair value of hedged items ¹ | Hedge ineffectiveness recognized in the income statement |
| Derivative financial assets | | Derivative financial liabilities | | | | |
| Interest rate risk | | | | | | |
| Fair value hedges | 89,525 | 0 | 7 | (1,604) | 1,602 | (2) |
| Cash flow hedges | 79,573 | 12 | 1 | (1,185) | 990 | (196) |
| Foreign exchange risk | | | | | | |
| Fair value hedges ² | 27,875 | 87 | 261 | (2,139) | 2,181 | 42 |
| Hedges of net investments in foreign operations | 13,939 | 23 | 105 | 497 | (497) | 0 |

¹ Amounts used as the basis for recognizing hedge ineffectiveness for the period. ² The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the hedge accounting designation and accounted for as a cost of hedging with amounts deferred in Other comprehensive income within Equity.

Note 25 Hedge accounting (continued)

Fair value hedges: designated hedged items

| USD m | 31.12.22 | | 31.12.21 | |
|--|--------------------|---------|--------------------|---------|
| | Interest rate risk | FX risk | Interest rate risk | FX risk |
| Debt issued measured at amortized cost | | | | |
| Carrying amount of designated debt issued | 68,529 | 20,566 | 74,700 | 27,875 |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (6,057) | | 478 | |
| Other financial assets measured at amortized cost – debt securities | | | | |
| Carrying amount of designated debt securities | 4,577 | | 2,677 | |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (180) | | (7) | |
| Loans and advances to customers | | | | |
| Carrying amount of designated loans | 14,270 | | 13,835 | |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (1,249) | | (109) | |
| <i>of which: accumulated amount of fair value hedge adjustment subject to amortization attributable to the portion of the portfolio that ceased to be part of hedge accounting</i> | (51) | | 3 | |

Fair value hedges: profile of the timing of the nominal amount of the hedging instrument

| USD bn | 31.12.22 | | | | | Total |
|----------------------|--------------------|----------------------------|-----------------------------|---------------------------|-------------------|-------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | |
| Interest rate swaps | 0 | 4 | 10 | 53 | 26 | 92 |
| Cross-currency swaps | 0 | 1 | 2 | 12 | 5 | 21 |
| 31.12.21 | | | | | | |
| USD bn | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Interest rate swaps | 0 | 8 | 10 | 49 | 22 | 90 |
| Cross-currency swaps | 1 | 1 | 6 | 13 | 6 | 28 |

Cash flow hedge reserve on a pre-tax basis

| USD m | 31.12.22 | 31.12.21 |
|---|----------------|------------|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | (4,692) | 26 |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | (540) | 743 |
| Total other comprehensive income recognized directly in equity related to cash flow hedges, on a pre-tax basis | (5,232) | 769 |

Foreign currency translation reserve on a pre-tax basis

| USD m | 31.12.22 | 31.12.21 |
|--|------------|------------|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | 284 | (45) |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | 266 | 262 |
| Total other comprehensive income recognized directly in equity related to hedging instruments designated as net investment hedges, on a pre-tax basis | 550 | 217 |

Interest rate benchmark reform

The Group continues to apply the relief provided by *Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)*, published by the IASB in September 2019, mainly to its hedges in USD. The cessation date for USD LIBOR is 30 June 2023.

The following table provides details on the notional amount and carrying amount of the hedging instruments in the hedge relationships where the designated risk is LIBOR and maturing after the cessation date of the applicable interest rate benchmarks.

Hedges of net investments in foreign operations are not affected by the amendments.

- › Refer to Note 1a item 2j for more information about the relief provided by the amendments to IFRS 9 and IFRS 7 related to interest rate benchmark reform
- › Refer to Note 24 for more information about the transition progress
- › Refer to earlier parts of this Note for the information about the transition progress of fair value and cash flow hedges

Note 25 Hedge accounting (continued)

Hedging instruments referencing LIBOR

| USD m | 31.12.22 | | | 31.12.21 | | |
|--------------------|-----------------|-----------------------------|----------------------------------|-----------------|-----------------------------|----------------------------------|
| | Notional amount | Carrying amount | | Notional amount | Carrying amount | |
| | | Derivative financial assets | Derivative financial liabilities | | Derivative financial assets | Derivative financial liabilities |
| Interest rate risk | | | | | | |
| Fair value hedges | 20,383 | 0 | 0 | 23,367 | 0 | 0 |
| Cash flow hedges | 2,179 | 0 | 0 | 10,803 | 0 | 0 |

Note 26 Post-employment benefit plans

a) Defined benefit plans

UBS has established defined benefit plans for its employees in various jurisdictions in accordance with local regulations and practices. The major plans are located in Switzerland, the UK, the US and Germany. The level of benefits depends on the specific plan rules.

Swiss pension plan

The Swiss pension plan covers employees of UBS Group AG in Switzerland and employees of companies in Switzerland having close economic or financial ties with UBS Group AG, and exceeds the minimum benefit requirements under Swiss pension law. The Swiss plan offers retirement, disability and survivor benefits and is governed by a Pension Foundation Board. The responsibilities of this board are defined by Swiss pension law and the plan rules.

Savings contributions to the Swiss plan are paid by both employer and employee. Depending on the age of the employee, UBS pays a savings contribution that ranges between 6.5% and 27.5% of contributory base salary and between 2.8% and 9% of contributory variable compensation. UBS also pays risk contributions that are used to fund disability and survivor benefits. Employees can choose the level of savings contributions paid by them, which vary between 2.5% and 13.5% of contributory base salary and between 0% and 9% of contributory variable compensation, depending on age and choice of savings contribution category.

The plan offers to members at the normal retirement age of 65 a choice between a lifetime pension and a partial or full lump sum payment. Participants can choose to draw early retirement benefits starting from the age of 58, but can also continue employment and remain active members of the plan until the age of 70. Employees have the opportunity to make additional purchases of benefits to fund early retirement benefits.

The pension amount payable to a participant is calculated by applying a conversion rate to the accumulated balance of the participant's retirement savings account at the retirement date. The balance is based on credited vested benefits transferred from previous employers, purchases of benefits, and the employee and employer contributions that have been made to the participant's retirement savings account, as well as the interest accrued. The annual interest rate credited to participants is determined by the Pension Foundation Board at the end of each year.

Although the Swiss plan is based on a defined contribution promise under Swiss pension law, it is accounted for as a defined benefit plan under International Financial Reporting Standards (IFRS), primarily because of the obligation to accrue interest on the participants' retirement savings accounts and the payment of lifetime pension benefits.

An actuarial valuation in accordance with Swiss pension law is performed regularly. Should an underfunded situation on this basis occur, the Pension Foundation Board is required to take the necessary measures to ensure that full funding can be expected to be restored within a maximum period of 10 years. If a Swiss plan were to become significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In this situation, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. As of 31 December 2022, the Swiss plan had a technical funding ratio in accordance with Swiss pension law of 119.0% (31 December 2021: 134.8%).

The investment strategy of the Swiss plan complies with Swiss pension law, including the rules and regulations relating to diversification of plan assets, and is derived from the risk budget defined by the Pension Foundation Board on the basis of regularly performed asset and liability management analyses. The Pension Foundation Board strives for a medium- and long-term balance between assets and liabilities.

As of 31 December 2022, the Swiss plan was in a surplus situation on an IFRS measurement basis, as the fair value of the plan's assets exceeded the defined benefit obligation (DBO) by USD 7,848m (31 December 2021: USD 6,577m). However, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit, which equals the difference between the present value of the estimated future net service cost and the present value of the estimated future employer contributions. As of both 31 December 2022 and 31 December 2021, the estimated future economic benefit was zero and hence no net defined benefit asset was recognized on the balance sheet.

Note 26 Post-employment benefit plans (continued)

Changes to the Swiss pension plan in 2019

The Pension Foundation Board and UBS agreed to implement measures that took effect from the start of 2019 to support the long-term financial stability of the Swiss pension fund. The measures, among other things, lowered the conversion rate and increased the normal retirement age from 64 to 65. Pensions already in payment on 1 January 2019 were not affected.

To mitigate the effects for active participants, UBS committed to pay an extraordinary contribution and contributed CHF 646m (USD 698m) in three installments in 2020, 2021 and 2022. The installments of USD 235m, USD 254m and USD 209m paid in 2020, 2021 and 2022 reduced other comprehensive income with no effect on the income statement.

The regular employer contributions to be made to the Swiss plan in 2023 are estimated at USD 480m.

UK pension plan

The UK plan is a career-average revalued earnings scheme, and benefits increase automatically based on UK price inflation, subject to defined caps. The normal retirement age for participants in the UK plan is 60. The plan provides guaranteed lifetime pension benefits to participants upon retirement. The UK plan has been closed to new entrants for more than 20 years and, since 2013, participants are no longer accruing benefits for current or future service. Instead, employees participate in the UK defined contribution plan.

The governance responsibility for the UK plan lies jointly with the Pension Trustee Board and UBS. The employer contributions to the pension fund reflect agreed-upon deficit funding contributions, which are determined on the basis of the most recent actuarial valuation using assumptions agreed by the Pension Trustee Board and UBS. In the event of underfunding, UBS and the Pension Trustee Board must agree on a deficit recovery plan within statutory deadlines. In 2022, UBS made deficit funding contributions of USD 5m to the UK plan. In 2021, UBS made no deficit funding contributions.

The plan assets are invested in a diversified portfolio of financial assets, which include longevity swaps with an external insurance company. These swaps enable the UK pension plan to hedge the risk between expected and actual longevity, which should mitigate volatility in the net defined benefit asset / liability. As of 31 December 2022, the longevity swaps had a negative value of USD 1m (31 December 2021: negative USD 3m).

In 2019, UBS and the Pension Trustee Board entered into an arrangement whereby a collateral pool was established to provide security for the pension fund. The value of the collateral pool as of 31 December 2022 was USD 292m (31 December 2021: USD 337m) and includes corporate bonds, government-related debt instruments and other financial assets. The arrangement provides the Pension Trustee Board dedicated access to a pool of assets in the event of UBS's insolvency or not paying a required deficit funding contribution.

The employer contributions to be made to the UK defined benefit plan in 2023 are estimated at USD 18m, subject to regular funding reviews during the year.

US pension plans

There are two distinct major defined benefit plans in the US, with a normal retirement age of 65. Both plans were closed to new entrants more than 20 years ago. Since they closed, new employees have participated in a defined contribution plan.

One of the defined benefit plans is a contribution-based plan in which each participant accrues a percentage of salary in a retirement savings account. The retirement savings account is credited annually with interest based on a rate that is linked to the average yield on one-year US government bonds. For the other defined benefit plan, retirement benefits accrue based on the career-average earnings of each individual plan participant. Former employees with vested benefits have the option of taking a lump sum payment or a lifetime annuity.

As required under applicable pension laws, both plans have fiduciaries who, together with UBS, are responsible for the governance of the plans.

The plan assets of both plans are invested in diversified portfolios of financial assets. Each plan's fiduciaries are responsible for the investment decisions with respect to the plan assets.

The employer contributions to be made to the US defined benefit plans in 2023 are estimated at USD 11m.

German pension plans

There are two unfunded defined benefit plans in Germany. The normal retirement age is 65 and benefits are paid directly by UBS. In the larger of the two plans each participant accrues a percentage of salary in a retirement savings account. The accumulated account balance of the participant is credited on an annual basis with guaranteed interest at a rate of 5%. The plan has been closed to new entrants, and all participants younger than the age of 55 as of June 2021 no longer accrue benefits. In the other plan, amounts are accrued annually based on employee elections related to variable compensation. For this plan, the accumulated account balance is credited on an annual basis with a guaranteed interest rate of 6% for amounts accrued before 2010, of 4% for amounts accrued from 2010 to 2017 and of 0.9% for amounts accrued after 2017. Both plans are subject to German pension law, whereby the responsibility to pay pension benefits when they are due resides entirely with UBS. A portion of the pension payments is directly increased in line with price inflation.

Note 26 Post-employment benefit plans (continued)

In June 2021, UBS implemented a new funded pension plan with interest credited to participants equal to actual investment returns with a guaranteed minimum of 0%. The plan was implemented retrospectively for new hires since June 2018 and for all eligible active participants younger than 55 from July 2021. Each participant accrues a percentage of salary in a retirement savings account.

The employer contributions to be made to the German defined benefit plans in 2023 are estimated at USD 12m.

Financial information by plan

The tables below provide an analysis of the movement in the net asset / liability recognized on the balance sheet for defined benefit plans, as well as an analysis of amounts recognized in net profit and in *Other comprehensive income*.

| USD m | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|--|--------------------|---------------|-----------------|--------------|-----------------------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Defined benefit obligation at the beginning of the year | 27,398 | 27,728 | 4,105 | 4,162 | 1,740 | 1,905 | 33,242 | 33,795 |
| Current service cost | 416 | 494 | 0 | 0 | 5 | 6 | 420 | 500 |
| Interest expense | 344 | 58 | 67 | 58 | 35 | 30 | 446 | 147 |
| Plan participant contributions | 257 | 266 | 0 | 0 | 0 | 0 | 257 | 266 |
| Remeasurements | (4,151) | 837 | (1,474) | 71 | (267) | (62) | (5,891) | 846 |
| of which: actuarial (gains) / losses due to changes in demographic assumptions | 3 | 51 | (6) | 14 | 1 | 4 | (2) | 69 |
| of which: actuarial (gains) / losses due to changes in financial assumptions | (4,666) | (678) | (1,575) | (3) | (279) | (78) | (6,520) | (759) |
| of which: experience (gains) / losses ¹ | 512 | 1,464 | 107 | 59 | 11 | 12 | 631 | 1,535 |
| Past service cost related to plan amendments | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 4 |
| Curtailments | (20) | (80) | 0 | 0 | 0 | 0 | (20) | (80) |
| Benefit payments | (1,454) | (1,097) | (123) | (148) | (111) | (112) | (1,687) | (1,357) |
| Other movements | (5) | 0 | 0 | 0 | 0 | 1 | (5) | 1 |
| Foreign currency translation | (513) | (809) | (408) | (38) | (28) | (33) | (949) | (880) |
| Defined benefit obligation at the end of the year | 22,272 | 27,398 | 2,166 | 4,105 | 1,375 | 1,740 | 25,813 | 33,242 |
| of which: amounts owed to active members | 11,927 | 14,333 | 65 | 150 | 169 | 222 | 12,160 | 14,705 |
| of which: amounts owed to deferred members | 0 | 0 | 656 | 1,593 | 528 | 669 | 1,184 | 2,262 |
| of which: amounts owed to retirees | 10,345 | 13,065 | 1,445 | 2,362 | 678 | 849 | 12,469 | 16,276 |
| of which: funded plans | 22,272 | 27,398 | 2,166 | 4,105 | 1,011 | 1,222 | 25,449 | 32,724 |
| of which: unfunded plans | 0 | 0 | 0 | 0 | 363 | 518 | 363 | 518 |
| Fair value of plan assets at the beginning of the year | 33,975 | 32,590 | 4,297 | 4,149 | 1,329 | 1,360 | 39,601 | 38,100 |
| Return on plan assets excluding interest income | (3,248) | 2,322 | (1,312) | 277 | (223) | 40 | (4,782) | 2,639 |
| Interest income | 485 | 74 | 70 | 58 | 31 | 26 | 586 | 159 |
| Employer contributions | 685 | 763 | 5 | 0 | 16 | 16 | 706 | 779 |
| Plan participant contributions | 257 | 266 | 0 | 0 | 0 | 0 | 257 | 266 |
| Benefit payments | (1,454) | (1,097) | (123) | (148) | (111) | (112) | (1,687) | (1,357) |
| Administration expenses, taxes and premiums paid | (12) | (13) | 0 | 0 | (3) | (4) | (16) | (17) |
| Other movements | (2) | 0 | 0 | 0 | 0 | 1 | (2) | 1 |
| Foreign currency translation | (567) | (930) | (450) | (39) | 0 | 0 | (1,017) | (969) |
| Fair value of plan assets at the end of the year | 30,119 | 33,975 | 2,488 | 4,297 | 1,039 | 1,329 | 33,646 | 39,601 |
| Surplus / (deficit) | 7,848 | 6,577 | 321 | 192 | (335) | (411) | 7,834 | 6,358 |
| Asset ceiling effect at the beginning of the year | 6,577 | 4,862 | 0 | 0 | 0 | 0 | 6,577 | 4,862 |
| Interest expense on asset ceiling effect | 135 | 15 | 0 | 0 | 0 | 0 | 135 | 15 |
| Asset ceiling effect excluding interest expense and foreign currency translation on asset ceiling effect | 1,189 | 1,821 | 0 | 0 | 0 | 0 | 1,189 | 1,821 |
| Foreign currency translation | (54) | (121) | 0 | 0 | 0 | 0 | (54) | (121) |
| Asset ceiling effect at the end of the year | 7,848 | 6,577 | 0 | 0 | 0 | 0 | 7,848 | 6,577 |
| Net defined benefit asset / (liability) of major plans | 0 | 0 | 321 | 192 | (335) | (411) | (14) | (219) |
| Net defined benefit asset / (liability) of remaining plans | | | | | | | (100) | (112) |
| Total net defined benefit asset / (liability) | | | | | | | (114) | (331) |
| of which: Net defined benefit asset | | | | | | | 355 | 302 |
| of which: Net defined benefit liability ² | | | | | | | (469) | (633) |

1 Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. 2 Refer to Note 18c.

Note 26 Post-employment benefit plans (continued)

Income statement – expenses related to defined benefit plans¹

| USD m | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|--------------------|------------|-----------------|----------|-----------------------------|-----------|------------|------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| For the year ended | | | | | | | | |
| Current service cost | 416 | 494 | 0 | 0 | 5 | 6 | 420 | 500 |
| Interest expense related to defined benefit obligation | 344 | 58 | 67 | 58 | 35 | 30 | 446 | 147 |
| Interest income related to plan assets | (485) | (74) | (70) | (58) | (31) | (26) | (586) | (159) |
| Interest expense on asset ceiling effect | 135 | 15 | 0 | 0 | 0 | 0 | 135 | 15 |
| Administration expenses, taxes and premiums paid | 12 | 13 | 0 | 0 | 3 | 4 | 16 | 17 |
| Past service cost related to plan amendments | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 4 |
| Curtailements | (20) | (80) | 0 | 0 | 0 | 0 | (20) | (80) |
| Net periodic expenses recognized in net profit for major plans | 402 | 426 | (3) | 0 | 12 | 18 | 411 | 444 |
| Net periodic expenses recognized in net profit for remaining plans² | | | | | | | 25 | 25 |
| Total net periodic expenses recognized in net profit | | | | | | | 437 | 470 |

¹ Refer to Note 6. ² Includes differences between actual and estimated performance award accruals.

Other comprehensive income – gains / (losses) on defined benefit plans

| USD m | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|--|--------------------|--------------|-----------------|------------|-----------------------------|------------|-------------|-------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| For the year ended | | | | | | | | |
| Remeasurement of defined benefit obligation | 4,151 | (837) | 1,474 | (71) | 267 | 62 | 5,891 | (846) |
| of which: change in discount rate assumption | 5,414 | 870 | 1,451 | 319 | 317 | 77 | 7,183 | 1,267 |
| of which: change in rate of pension increase assumption | 0 | 0 | 123 | (316) | (5) | (1) | 118 | (318) |
| of which: change in rate of interest credit on retirement savings assumption | (718) | (193) | 0 | 0 | (82) | (1) | (800) | (194) |
| of which: change in life expectancy | 0 | 0 | 5 | 9 | (1) | (3) | 4 | 5 |
| of which: change in other actuarial assumptions | (33) | (50) | 1 | (23) | 48 | 2 | 16 | (71) |
| of which: experience gains / (losses) ¹ | (512) | (1,464) | (107) | (59) | (11) | (12) | (631) | (1,535) |
| Return on plan assets excluding interest income | (3,248) | 2,322 | (1,312) | 277 | (223) | 40 | (4,782) | 2,639 |
| Asset ceiling effect excluding interest expense and foreign currency translation | (1,189) | (1,821) | 0 | 0 | 0 | 0 | (1,189) | (1,821) |
| Total gains / (losses) recognized in other comprehensive income for major plans | (285) | (336) | 162 | 207 | 43 | 102 | (80) | (28) |
| Total gains / (losses) recognized in other comprehensive income for remaining plans | | | | | | | 7 | 30 |
| Total gains / (losses) recognized in other comprehensive income² | | | | | | | (73) | 2 |

¹ Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. ² Refer to the "Statement of comprehensive income."

The table below provides information about the duration of the DBO and the timing for expected benefit payments.

| | Swiss pension plan | | UK pension plan | | US and German pension plans ¹ | |
|--|--------------------|-------------|-----------------|-------------|--|------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Duration of the defined benefit obligation (in years) | 13.1 | 15.1 | 13.7 | 18.8 | 7.9 | 9.5 |
| Maturity analysis of benefits expected to be paid | | | | | | |
| USD m | | | | | | |
| Benefits expected to be paid within 12 months | 1,294 | 1,312 | 107 | 110 | 123 | 123 |
| Benefits expected to be paid between 1 and 3 years | 2,657 | 2,636 | 234 | 248 | 232 | 237 |
| Benefits expected to be paid between 3 and 6 years | 3,977 | 3,824 | 384 | 418 | 335 | 338 |
| Benefits expected to be paid between 6 and 11 years | 6,743 | 6,220 | 667 | 743 | 502 | 495 |
| Benefits expected to be paid between 11 and 16 years | 6,223 | 5,572 | 667 | 751 | 388 | 392 |
| Benefits expected to be paid in more than 16 years | 22,446 | 18,092 | 2,570 | 3,028 | 516 | 519 |

¹ The duration of the defined benefit obligation represents a weighted average across US and German plans.

Note 26 Post-employment benefit plans (continued)

Actuarial assumptions

The actuarial assumptions used for the defined benefit plans are based on the economic conditions prevailing in the jurisdiction in which they are offered. Changes in the defined benefit obligation are most sensitive to changes in the discount rate. The discount rate is based on the yield of high-quality corporate bonds quoted in an active market in the currency of the respective plan. A decrease in the discount curve increases the DBO. UBS regularly reviews the actuarial assumptions used in calculating the DBO to determine their continuing relevance.

› Refer to Note 1a item 5 for a description of the accounting policy for defined benefit plans

The tables below show the significant actuarial assumptions used in calculating the DBO at the end of the year.

Significant actuarial assumptions

| In % | Swiss pension plan | | UK pension plan | | US pension plans | | German pension plans | |
|---|--------------------|----------|-----------------|----------|-------------------|-------------------|----------------------|----------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Discount rate | 2.34 | 0.34 | 5.02 | 1.82 | 4.92 ¹ | 2.47 ¹ | 3.81 | 0.99 |
| Rate of pension increase | 0.00 | 0.00 | 3.08 | 3.32 | 0.00 | 0.00 | 2.20 | 1.80 |
| Rate of interest credit on retirement savings | 3.39 | 1.04 | 0.00 | 0.00 | 5.73 ² | 1.18 ² | 0.00 | 0.00 |

¹ Represents weighted average across US pension plans. ² Only applicable to one of the US pension plans

Mortality tables and life expectancies for major plans

| Country | Mortality table | Life expectancy at age 65 for a male member currently | | | |
|-------------|---|---|----------|----------|----------|
| | | aged 65 | | aged 45 | |
| | | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Switzerland | BVG 2020 G with CMI 2021 projections ¹ | 21.7 | 21.7 | 23.4 | 23.3 |
| UK | S3PA with CMI 2021 projections ² | 23.5 | 23.4 | 24.6 | 24.5 |
| USA | Pri-2012 with MP-2021 projection scale | 22.0 | 21.9 | 23.3 | 23.3 |
| Germany | Dr. K. Heubeck 2018 G | 20.6 | 20.5 | 23.4 | 23.2 |

| Country | Mortality table | Life expectancy at age 65 for a female member currently | | | |
|-------------|---|---|----------|----------|----------|
| | | aged 65 | | aged 45 | |
| | | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Switzerland | BVG 2020 G with CMI 2021 projections ¹ | 23.5 | 23.4 | 25.1 | 25.0 |
| UK | S3PA with CMI 2021 projections ² | 25.0 | 24.9 | 26.4 | 26.3 |
| USA | Pri-2012 with MP-2021 projection scale | 23.4 | 23.3 | 24.8 | 24.7 |
| Germany | Dr. K. Heubeck 2018 G | 24.0 | 23.9 | 26.3 | 26.1 |

¹ In 2021, BVG 2020 G with CMI 2019 projections was used. ² In 2021, S3PA with CMI 2020 projections was used.

Sensitivity analysis of significant actuarial assumptions

The table below presents a sensitivity analysis for each significant actuarial assumption, showing how the DBO would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. Caution should be used in extrapolating the sensitivities below on the DBO, as the sensitivities may not be linear.

Sensitivity analysis of significant actuarial assumptions¹

| Increase / (decrease) in defined benefit obligation | Swiss pension plan | | UK pension plan | | US and German pension plans | |
|--|--------------------|----------------|-----------------|----------------|-----------------------------|----------|
| USD m | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Discount rate | | | | | | |
| Increase by 50 basis points | (1,128) | (1,695) | (141) | (361) | (51) | (78) |
| Decrease by 50 basis points | 1,269 | 1,933 | 157 | 411 | 55 | 84 |
| Rate of pension increase | | | | | | |
| Increase by 50 basis points | 877 | 1,333 | 127 | 334 | 4 | 6 |
| Decrease by 50 basis points | – ² | – ² | (118) | (306) | (3) | (6) |
| Rate of interest credit on retirement savings | | | | | | |
| Increase by 50 basis points | 178 | 224 | – ³ | – ³ | 9 | 8 |
| Decrease by 50 basis points | (178) | (224) | – ³ | – ³ | (8) | (7) |
| Life expectancy | | | | | | |
| Increase in longevity by one additional year | 593 | 915 | 65 | 184 | 39 | 56 |

¹ The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded. ² As the assumed rate of pension increase was 0% as of 31 December 2022 and as of 31 December 2021, a downward change in assumption is not applicable. ³ As the UK plan does not provide interest credits on retirement savings, a change in assumption is not applicable.

Note 26 Post-employment benefit plans (continued)

Fair value of plan assets

The tables below provide information about the composition and fair value of plan assets of the major pension plans.

Composition and fair value of plan assets

Swiss pension plan

| | 31.12.22 | | | | 31.12.21 | | | |
|---|----------------------------|---------------|-----------------|-------------------------|----------------------------|--------|-----------------|-------------------------|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| <i>USD m</i> | | | | | | | | |
| Cash and cash equivalents | 326 | 0 | 326 | 1 | 187 | 0 | 187 | 1 |
| Real estate / property | | | | | | | | |
| Domestic | 0 | 3,783 | 3,783 | 13 | 0 | 3,530 | 3,530 | 10 |
| Foreign | 0 | 919 | 919 | 3 | 0 | 580 | 580 | 2 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 743 | 0 | 743 | 2 | 843 | 0 | 843 | 2 |
| Foreign | 4,964 | 2,171 | 7,134 | 24 | 6,213 | 2,652 | 8,865 | 26 |
| Bonds ¹ | | | | | | | | |
| Domestic, AAA to BBB- | 3,760 | 0 | 3,760 | 12 | 4,446 | 0 | 4,446 | 13 |
| Foreign, AAA to BBB- | 6,031 | 0 | 6,031 | 20 | 5,093 | 0 | 5,093 | 15 |
| Foreign, below BBB- | 1,062 | 0 | 1,062 | 4 | 1,314 | 0 | 1,314 | 4 |
| Other | 1,540 | 3,547 | 5,086 | 17 | 4,211 | 3,558 | 7,769 | 23 |
| Other investments | 624 | 651 | 1,275 | 4 | 668 | 682 | 1,349 | 4 |
| Total fair value of plan assets | 19,049 | 11,071 | 30,119 | 100 | 22,973 | 11,002 | 33,975 | 100 |
| | | | 31.12.22 | | | | 31.12.21 | |
| Total fair value of plan assets | | | 30,119 | | | | 33,975 | |
| <i>of which:²</i> | | | | | | | | |
| Bank accounts at UBS | | | 337 | | | | 194 | |
| UBS debt instruments | | | 50 | | | | 28 | |
| UBS shares | | | 27 | | | | 25 | |
| Securities lent to UBS ³ | | | 871 | | | | 1,079 | |
| Property occupied by UBS | | | 90 | | | | 93 | |
| Derivative financial instruments, counterparty UBS ³ | | | 76 | | | | 128 | |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB- and below BBB- represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification. ² Bank accounts at UBS encompass accounts in the name of the Swiss pension fund. The other positions disclosed in the table encompass both direct investments in UBS instruments and indirect investments, i.e., those made through funds that the pension fund invests in. ³ Securities lent to UBS and derivative financial instruments are presented gross of any collateral. Securities lent to UBS were fully covered by collateral as of 31 December 2022 and 31 December 2021. Net of collateral, derivative financial instruments amounted to negative USD 8m as of 31 December 2022 (31 December 2021: positive USD 43m).

Note 26 Post-employment benefit plans (continued)

Composition and fair value of plan assets (continued)

UK pension plan

| USD m | 31.12.22 | | | Plan asset allocation % | 31.12.21 | | | Plan asset allocation % |
|--|----------------------------|------------|--------------|-------------------------|----------------------------|------------|--------------|-------------------------|
| | Fair value | | | | Fair value | | | |
| | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 104 | 0 | 104 | 4 | 147 | 0 | 147 | 3 |
| Bonds¹ | | | | | | | | |
| Domestic, AAA to BBB- | 1,729 | 0 | 1,729 | 69 | 2,605 | 0 | 2,605 | 61 |
| Foreign, AAA to BBB- | 297 | 0 | 297 | 12 | 372 | 0 | 372 | 9 |
| Foreign, below BBB- | 7 | 0 | 7 | 0 | 4 | 0 | 4 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 19 | 3 | 22 | 1 | 44 | 4 | 47 | 1 |
| Foreign | 366 | 0 | 366 | 15 | 921 | 0 | 921 | 21 |
| Bonds ¹ | | | | | | | | |
| Domestic, AAA to BBB- | 367 | 90 | 457 | 18 | 532 | 147 | 679 | 16 |
| Domestic, below BBB- | 1 | 0 | 1 | 0 | 12 | 0 | 12 | 0 |
| Foreign, AAA to BBB- | 90 | 0 | 90 | 4 | 179 | 0 | 179 | 4 |
| Foreign, below BBB- | 114 | 0 | 114 | 5 | 115 | 0 | 115 | 3 |
| Real estate | | | | | | | | |
| Domestic | 64 | 0 | 64 | 3 | 110 | 12 | 122 | 3 |
| Foreign | 6 | 31 | 36 | 1 | 6 | 34 | 40 | 1 |
| Other | (280) | 0 | (280) | (11) | (313) | 0 | (313) | (7) |
| Repurchase agreements | (612) | 0 | (612) | (25) | (725) | 0 | (725) | (17) |
| Other investments | 66 | 27 | 94 | 4 | 65 | 26 | 91 | 2 |
| Total fair value of plan assets | 2,336 | 151 | 2,488 | 100 | 4,074 | 223 | 4,297 | 100 |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB- and below BBB- represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

US and German pension plans

| USD m | 31.12.22 | | | Plan asset allocation % | 31.12.21 | | | Plan asset allocation % |
|--|----------------------------|-----------|--------------|-------------------------|----------------------------|-----------|--------------|-------------------------|
| | Fair value | | | | Fair value | | | |
| | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 7 | 0 | 7 | 1 | 11 | 0 | 11 | 1 |
| Equity | | | | | | | | |
| Domestic | 55 | 0 | 55 | 5 | 79 | 0 | 79 | 6 |
| Foreign | 24 | 0 | 24 | 2 | 31 | 0 | 31 | 2 |
| Bonds¹ | | | | | | | | |
| Domestic, AAA to BBB- | 359 | 0 | 359 | 35 | 486 | 0 | 486 | 37 |
| Domestic, below BBB- | 4 | 0 | 4 | 0 | 17 | 0 | 17 | 1 |
| Foreign, AAA to BBB- | 74 | 0 | 74 | 7 | 97 | 0 | 97 | 7 |
| Foreign, below BBB- | 3 | 0 | 3 | 0 | 6 | 0 | 6 | 0 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 27 | 0 | 27 | 3 | 3 | 0 | 3 | 0 |
| Foreign | 33 | 0 | 33 | 3 | 56 | 0 | 56 | 4 |
| Bonds ¹ | | | | | | | | |
| Domestic, AAA to BBB- | 266 | 0 | 266 | 26 | 269 | 0 | 269 | 20 |
| Domestic, below BBB- | 109 | 0 | 109 | 10 | 147 | 0 | 147 | 11 |
| Foreign, AAA to BBB- | 2 | 0 | 2 | 0 | 11 | 0 | 11 | 1 |
| Foreign, below BBB- | 5 | 0 | 5 | 0 | 2 | 0 | 2 | 0 |
| Real estate | | | | | | | | |
| Domestic | 0 | 11 | 11 | 1 | 0 | 9 | 9 | 1 |
| Other | 54 | 0 | 54 | 5 | 99 | 0 | 99 | 7 |
| Other investments | 5 | 1 | 6 | 1 | 5 | 1 | 6 | 0 |
| Total fair value of plan assets | 1,027 | 12 | 1,039 | 100 | 1,319 | 10 | 1,329 | 100 |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB- and below BBB- represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

Note 26 Post-employment benefit plans (continued)

b) Defined contribution plans

UBS sponsors a number of defined contribution plans, with the most significant plans in the US and the UK. UBS's obligation is limited to its contributions made in accordance with each plan, which may include direct contributions and matching contributions. Employer contributions to defined contribution plans are recognized as an expense and were USD 357m in 2022, USD 363m in 2021 and USD 343m in 2020.

› Refer to Note 6 for more information

c) Related-party disclosure

UBS is the principal provider of banking services for the pension fund of UBS in Switzerland. In this capacity, UBS is engaged to execute most of the pension fund's banking activities. These activities can include, but are not limited to, trading, securities lending and borrowing and derivative transactions. The non-Swiss UBS pension funds do not have a similar banking relationship with UBS. During 2022, UBS received USD 36m in fees for banking services from the major post-employment benefit plans (2021: USD 39m). As of 31 December 2022, the major post-employment benefit plans held USD 265m in UBS shares (31 December 2021: USD 252m).

› Refer to the "Composition and fair value of plan assets" table in Note 26a for more information about fair value of investments in UBS instruments held by the Swiss pension fund

Note 27 Employee benefits: variable compensation

a) Plans offered

The Group has several share-based and other deferred compensation plans that align the interests of Group Executive Board (GEB) members and other employees with the interests of investors.

Share-based awards are granted in the form of notional shares and, where permitted, carry a dividend equivalent that may be paid in notional shares or cash. Awards are settled by delivering UBS shares at vesting, except in jurisdictions where this is not permitted for legal or tax reasons.

Deferred compensation awards are generally forfeitable upon, among other circumstances, voluntary termination of employment with UBS. These compensation plans are also designed to meet regulatory requirements and include special provisions for regulated employees.

The most significant deferred compensation plans are described below.

› Refer to Note 1a item 4 for a description of the accounting policy related to share-based and other deferred compensation plans

Mandatory deferred compensation plans

Long-Term Incentive Plan

The Long-Term Incentive Plan (LTIP) is a mandatory deferred share-based compensation plan for GEB members for the performance year 2022. For prior performance years, LTIP was granted to senior leaders of the Group (i.e., GEB members and selected senior management).

The number of notional shares delivered at vesting depends on two equally weighted performance metrics over a three-year performance period: return on common equity tier 1 (CET1) capital and relative total shareholder return, which compares the total shareholder return (TSR) of UBS with the TSR of an index consisting of listed Global Systemically Important Banks as determined by the Financial Stability Board (excluding UBS). The final number of shares vest over three years following the performance period for GEB members, and cliff-vest in the year following the performance period for selected senior management.

Equity Ownership Plan / Fund Ownership Plan

The Equity Ownership Plan (EOP) is the deferred share-based compensation plan for employees outside of the GEB that are subject to deferral requirements. EOP awards generally vest over three years.

Certain Asset Management employees receive some or all of their EOP in the form of notional funds (Fund Ownership Plan or FOP, previously named AM EOP). This plan is generally delivered in cash and vests over three years. The amount delivered depends on the value of the underlying investment funds at the time of vesting.

Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (DCCP) is a deferred compensation plan for all employees who are subject to deferral requirements. Such employees are awarded notional additional tier 1 (AT1) capital instruments, which, at the discretion of UBS, can be settled in cash or a perpetual, marketable AT1 capital instrument. DCCP awards generally bear notional interest paid annually (except for certain regulated employees) and vest in full after five years. Awards are forfeited if a viability event occurs (i.e., if FINMA notifies the firm that the DCCP awards must be written down to mitigate the risk of insolvency, bankruptcy or failure of UBS) or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. DCCP awards are also written down if the Group's CET1 capital ratio falls below a defined threshold. In addition, GEB members forfeit 20% of DCCP awards for each loss-making year during the vesting period.

Note 27 Employee benefits: variable compensation (continued)

Financial advisor variable compensation

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management consists of cash compensation and deferred compensation awards, determined using a formulaic approach based on production.

Cash compensation reflects a percentage of the compensable production that each financial advisor generates. Compensable production is generally based on transaction revenue and investment advisory fees and may reflect further adjustments. The percentage rate generally varies based on the level of the production and firm tenure.

Financial advisors may also be granted annual deferred compensation. These amounts generally vest over a six-year period. The annual deferred compensation amount reflects the overall percentage rate and production.

Cash compensation and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm's rules, standards, practices and / or policies, and / or applicable laws and regulations.

Financial advisors may also participate in additional programs to support promoting and developing their business or supporting the transition of client relationships where appropriate. Financial advisor compensation also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

Share delivery obligations

Share delivery obligations related to employee share-based compensation awards were 178m shares as of 31 December 2022 (31 December 2021: 175m shares). Share delivery obligations are calculated on the basis of undistributed notional share awards, taking applicable performance conditions into account.

As of 31 December 2022, UBS held 119m treasury shares (31 December 2021: 149m) that were available to satisfy share delivery obligations.

b) Effect on the income statement

Effect on the income statement for the financial year and future periods

The table below provides information about compensation expenses related to total variable compensation that were recognized in the financial year ended 31 December 2022, as well as expenses that were deferred and will be recognized in the income statement for 2023 and later. The majority of expenses deferred to 2023 and later that are related to the 2022 performance year pertain to awards granted in February 2023. The total unamortized compensation expense for unvested share-based awards granted up to 31 December 2022 will be recognized in future periods over a weighted average period of 2.5 years.

Variable compensation

| USD m | Expenses recognized in 2022 | | | Expenses deferred to 2023 and later ¹ | | |
|--|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2022 performance year | Related to prior performance years | Total | Related to the 2022 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,276 | (16) | 2,260 | 0 | 0 | 0 |
| Deferred compensation awards | 364 | 581 | 945 | 605 | 754 | 1,359 |
| of which: Equity Ownership Plan | 202 | 235 | 437 | 310 | 250 | 560 |
| of which: Deferred Contingent Capital Plan | 129 | 219 | 349 | 245 | 408 | 654 |
| of which: Long-Term Incentive Plan | 11 | 32 | 43 | 30 | 42 | 71 |
| of which: Fund Ownership Plan | 21 | 95 | 116 | 20 | 54 | 74 |
| Variable compensation – performance awards | 2,640 | 566 | 3,205 | 605 | 754 | 1,359 |
| Variable compensation – financial advisors² | 3,799 | 709 | 4,508 | 1,290 | 2,652 | 3,942 |
| of which: non-deferred cash | 3,481 | 0 | 3,481 | 0 | 0 | 0 |
| of which: deferred share-based awards | 104 | 62 | 166 | 122 | 180 | 302 |
| of which: deferred cash-based awards | 185 | 215 | 400 | 588 | 636 | 1,224 |
| of which: compensation commitments with recruited financial advisors | 29 | 432 | 461 | 580 | 1,836 | 2,416 |
| Variable compensation – other³ | 169 | 71 | 241 | 237 | 193 | 430 |
| Total variable compensation | 6,608 | 1,346 | 7,954⁴ | 2,131 | 3,599 | 5,731 |

¹ Estimate as of 31 December 2022. Actual amounts to be expensed in future periods may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 703m in expenses related to share-based compensation (performance awards: USD 480m; other variable compensation: USD 56m; financial advisor compensation: USD 166m). A further USD 88m in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 4m, related to role-based allowances; social security: USD 61m; other personnel expenses: USD 23m related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 716m.

Note 27 Employee benefits: variable compensation (continued)

Variable compensation (continued)

| USD m | Expenses recognized in 2021 | | | Expenses deferred to 2022 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2021 performance year | Related to prior performance years | Total | Related to the 2021 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,383 | (10) | 2,373 | 0 | 0 | 0 |
| Deferred compensation awards | 405 | 412 | 817 | 797 | 624 | 1,421 |
| <i>of which: Equity Ownership Plan</i> | 183 | 180 | 363 | 393 | 184 | 577 |
| <i>of which: Deferred Contingent Capital Plan</i> | 140 | 158 | 297 | 299 | 329 | 628 |
| <i>of which: Long-Term Incentive Plan</i> | 54 | 19 | 73 | 50 | 33 | 83 |
| <i>of which: Fund Ownership Plan</i> | 29 | 56 | 84 | 56 | 78 | 133 |
| Variable compensation – performance awards | 2,788 | 402 | 3,190 | 797 | 624 | 1,421 |
| Variable compensation – financial advisors² | 4,175 | 685 | 4,860 | 1,097 | 2,323 | 3,419 |
| <i>of which: non-deferred cash</i> | 3,858 | (6) | 3,853 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 106 | 51 | 157 | 123 | 146 | 269 |
| <i>of which: deferred cash-based awards</i> | 170 | 202 | 372 | 311 | 495 | 806 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 41 | 438 | 479 | 662 | 1,682 | 2,344 |
| Variable compensation – other³ | 191 | 38 | 229 | 215 | 182 | 397 |
| Total variable compensation | 7,155 | 1,125 | 8,280⁴ | 2,109 | 3,129 | 5,238 |

¹ Estimate as of 31 December 2021. Actual amounts expensed may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 651m in expenses related to share-based compensation (performance awards: USD 435m; other variable compensation: USD 59m; financial advisor compensation: USD 157m). A further USD 85m in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 5m related to role-based allowances; social security: USD 64m; other personnel expenses: USD 16m related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 641m.

Variable compensation (continued)

| USD m | Expenses recognized in 2020 | | | Expenses deferred to 2021 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2020 performance year | Related to prior performance years | Total | Related to the 2020 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,167 | (26) | 2,141 | 0 | 0 | 0 |
| Deferred compensation awards | 341 | 727 | 1,068 | 756 | 288 | 1,044 |
| <i>of which: Equity Ownership Plan</i> | 137 | 327 | 463 | 306 | 69 | 376 |
| <i>of which: Deferred Contingent Capital Plan</i> | 112 | 351 | 463 | 280 | 196 | 476 |
| <i>of which: Long-Term Incentive Plan</i> | 42 | 11 | 54 | 50 | 10 | 61 |
| <i>of which: Fund Ownership Plan</i> | 49 | 39 | 88 | 120 | 12 | 132 |
| Variable compensation – performance awards | 2,508 | 701 | 3,209 | 756 | 288 | 1,044 |
| Variable compensation – financial advisors² | 3,378 | 713 | 4,091 | 822 | 2,284 | 3,106 |
| <i>of which: non-deferred cash</i> | 3,154 | 0 | 3,154 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 69 | 50 | 119 | 79 | 135 | 214 |
| <i>of which: deferred cash-based awards</i> | 133 | 183 | 316 | 271 | 467 | 738 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 22 | 480 | 502 | 473 | 1,682 | 2,155 |
| Variable compensation – other³ | 126 | 94 | 220 | 181 | 192 | 374 |
| Total variable compensation | 6,012 | 1,508 | 7,520⁴ | 1,760 | 2,764 | 4,524 |

¹ Estimate as of 31 December 2020. Actual amounts expensed may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 686m in expenses related to share-based compensation (performance awards: USD 517m; other variable compensation: USD 50m; financial advisor compensation: USD 119m). A further USD 100m in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 4m related to role-based allowances; social security: USD 54m; other personnel expenses: USD 42m related to the Equity Plus Plan). Total personnel expense related to share-based equity-settled compensation excluding social security was USD 691m.

Note 27 Employee benefits: variable compensation (continued)

c) Outstanding share-based compensation awards

Share and performance share awards

Movements in outstanding share-based awards to employees during 2022 and 2021 are provided in the table below.

Movements in outstanding share-based compensation awards

| | Number of shares 2022 | Weighted average grant date fair value (USD) | Number of shares 2021 | Weighted average grant date fair value (USD) |
|--|--------------------------|--|--------------------------|--|
| Outstanding, at the beginning of the year | 180,578,561 | 13 | 174,900,395 | 12 |
| Awarded during the year | 62,203,770 | 18 | 68,721,549 | 15 |
| Distributed during the year | (54,639,882) | 12 | (52,137,287) | 13 |
| Forfeited during the year | (6,235,249) | 15 | (10,906,096) | 13 |
| Outstanding, at the end of the year | 181,907,200 | 15 | 180,578,561 | 13 |
| <i>of which: shares vested for accounting purposes</i> | <i>102,364,973</i> | | <i>107,828,979</i> | |

The total carrying amount of the liability related to cash-settled share-based awards as of 31 December 2022 and 31 December 2021 was USD 43m and USD 37m, respectively.

d) Valuation

UBS share awards

UBS measures compensation expense based on the average market price of UBS shares on the grant date as quoted on the SIX Swiss Exchange, taking into consideration post-vesting sale and hedge restrictions, non-vesting conditions and market conditions, where applicable. The fair value of the share awards subject to post-vesting sale and hedge restrictions is discounted on the basis of the duration of the post-vesting restriction and is referenced to the cost of purchasing an at-the-money European put option for the term of the transfer restriction. The grant date fair value of notional shares without dividend entitlements also includes a deduction for the present value of future expected dividends to be paid between the grant date and distribution.

Note 28 Interests in subsidiaries and other entities

a) Interests in subsidiaries

UBS defines its significant subsidiaries as those entities that, either individually or in aggregate, contribute significantly to the Group's financial position or results of operations, based on a number of criteria, including the subsidiaries' equity and contribution to the Group's total assets and profit or loss before tax, in accordance with the requirements set by IFRS 12, Swiss regulations and the rules of the US Securities and Exchange Commission (the SEC).

Individually significant subsidiaries

The two tables below list the Group's individually significant subsidiaries as of 31 December 2022. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares held entirely by the Group and the proportion of ownership interest held is equal to the voting rights held by the Group.

The country where the respective registered office is located is also the principal place of business. UBS AG operates through a global branch network and a significant proportion of its business activity is conducted outside Switzerland, including in the UK, the US, Singapore, the Hong Kong SAR and other countries. UBS Europe SE has branches and offices in a number of EU Member States, including Germany, Italy, Luxembourg and Spain. Share capital is provided in the currency of the legally registered office.

Note 28 Interests in subsidiaries and other entities (continued)

Individually significant subsidiaries of UBS Group AG as of 31 December 2022

| Company | Registered office | Share capital in million | Equity interest accumulated in % |
|--|-------------------------------|--------------------------|----------------------------------|
| UBS AG | Zurich and Basel, Switzerland | CHF 385.8 | 100.0 |
| UBS Business Solutions AG ¹ | Zurich, Switzerland | CHF 1.0 | 100.0 |

¹ UBS Business Solutions AG holds subsidiaries in China, India, Israel and Poland.

Individually significant subsidiaries of UBS AG as of 31 December 2022¹

| Company | Registered office | Primary business | Share capital in million | Equity interest accumulated in % |
|-----------------------------|---------------------------|------------------------------|--------------------------|----------------------------------|
| UBS Americas Holding LLC | Wilmington, Delaware, USA | Group Functions | USD 5,150.0 ² | 100.0 |
| UBS Americas Inc. | Wilmington, Delaware, USA | Group Functions | USD 0.0 | 100.0 |
| UBS Asset Management AG | Zurich, Switzerland | Asset Management | CHF 43.2 | 100.0 |
| UBS Bank USA | Salt Lake City, Utah, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS Europe SE | Frankfurt, Germany | Global Wealth Management | EUR 446.0 | 100.0 |
| UBS Financial Services Inc. | Wilmington, Delaware, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS Securities LLC | Wilmington, Delaware, USA | Investment Bank | USD 1,283.1 ³ | 100.0 |
| UBS Switzerland AG | Zurich, Switzerland | Personal & Corporate Banking | CHF 10.0 | 100.0 |

¹ Includes direct and indirect subsidiaries of UBS AG. ² Consists of common share capital of USD 1,000 and non-voting preferred share capital of USD 5,150,000,000. ³ Consists of common share capital of USD 100,000 and non-voting preferred share capital of USD 1,283,000,000.

Other subsidiaries

The table below lists other direct and indirect subsidiaries of UBS AG that are not individually significant but contribute to the Group's total assets and aggregated profit before tax thresholds and are thus disclosed in accordance with requirements set by the SEC.

Other subsidiaries of UBS AG as of 31 December 2022

| Company | Registered office | Primary business | Share capital in million | Equity interest accumulated in % |
|--|----------------------------|--------------------------|--------------------------|----------------------------------|
| UBS Asset Management (Americas) Inc. | Wilmington, Delaware, USA | Asset Management | USD 0.0 | 100.0 |
| UBS Asset Management (Hong Kong) Limited | Hong Kong SAR, China | Asset Management | HKD 153.8 | 100.0 |
| UBS Asset Management Life Ltd | London, United Kingdom | Asset Management | GBP 15.0 | 100.0 |
| UBS Asset Management Switzerland AG | Zurich, Switzerland | Asset Management | CHF 0.5 | 100.0 |
| UBS Business Solutions US LLC | Wilmington, Delaware, USA | Group Functions | USD 0.0 | 100.0 |
| UBS Credit Corp. | Wilmington, Delaware, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS (France) S.A. | Paris, France | Global Wealth Management | EUR 197.0 | 100.0 |
| UBS Fund Management (Luxembourg) S.A. | Luxembourg, Luxembourg | Asset Management | EUR 13.0 | 100.0 |
| UBS Fund Management (Switzerland) AG | Basel, Switzerland | Asset Management | CHF 1.0 | 100.0 |
| UBS (Monaco) S.A. | Monte Carlo, Monaco | Global Wealth Management | EUR 49.2 | 100.0 |
| UBS O'Connor LLC | Wilmington, Delaware, USA | Asset Management | USD 1.0 | 100.0 |
| UBS Realty Investors LLC | Boston, Massachusetts, USA | Asset Management | USD 9.0 | 100.0 |
| UBS Securities Australia Ltd | Sydney, Australia | Investment Bank | AUD 0.3 ¹ | 100.0 |
| UBS Securities Hong Kong Limited | Hong Kong SAR, China | Investment Bank | HKD 3,354.2 | 100.0 |
| UBS Securities Japan Co., Ltd. | Tokyo, Japan | Investment Bank | JPY 34,708.7 | 100.0 |
| UBS SuMi TRUST Wealth Management Co., Ltd. | Tokyo, Japan | Global Wealth Management | JPY 5,165.0 | 51.0 |

¹ Includes a nominal amount relating to redeemable preference shares.

Consolidated structured entities

Consolidated structured entities (SEs) include certain investment funds, securitization vehicles and client investment vehicles. UBS has no individually significant subsidiaries that are SEs.

In 2022 and 2021, the Group did not enter into any contractual obligation that could require the Group to provide financial support to consolidated SEs. In addition, the Group did not provide support, financial or otherwise, to a consolidated SE when the Group was not contractually obligated to do so, nor does the Group have any intention to do so in the future. Furthermore, the Group did not provide support, financial or otherwise, to a previously unconsolidated SE that resulted in the Group controlling the SE during the reporting period.

Note 28 Interests in subsidiaries and other entities (continued)

b) Interests in associates and joint ventures

As of 31 December 2022 and 2021, no associate or joint venture was individually material to the Group. Also, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to UBS Group AG or its subsidiaries as cash dividends or to repay loans or advances made. There were no quoted market prices for any associates or joint ventures of the Group.

In 2022, UBS reclassified its minority investment (49%) in its Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc., of USD 44m to *Properties and other non-current assets held for sale* and sold the shareholding. The sale resulted in a pre-tax gain of USD 848m in 2022, which was recognized in *Other income*. UBS's asset management, wealth management and investment banking businesses operating in Japan were not affected by the sale.

Investments in associates and joint ventures

| USD m | 2022 | 2021 |
|--|--------------|--------------|
| Carrying amount at the beginning of the year | 1,243 | 1,557 |
| Additions | 3 | 1 |
| Reclassifications ¹ | (44) | (386) |
| Share of comprehensive income | (41) | 150 |
| of which: share of net profit ² | 32 | 105 |
| of which: share of other comprehensive income ³ | (73) | 45 |
| Share of changes in retained earnings | 0 | 1 |
| Dividends received | (31) | (39) |
| Foreign currency translation | (30) | (39) |
| Carrying amount at the end of the year | 1,101 | 1,243 |
| of which: associates | 1,098 | 1,200 |
| of which: SIX Group AG, Zurich ⁴ | 954 | 1,043 |
| of which: other associates | 144 | 157 |
| of which: joint ventures | 3 | 43 |
| of which: Mitsubishi Corp.-UBS Realty Inc., Tokyo ¹ | | 40 |
| of which: other joint ventures | 3 | 3 |

1 In 2022, UBS reclassified its minority investment (49%) in Mitsubishi Corp.-UBS Realty Inc. of USD 44m to Properties and other non-current assets held for sale and sold the investment in the same year. In 2021, UBS reclassified its minority investment (48.8%) in Clearstream Fund Centre AG of USD 386m to Properties and other non-current assets held for sale and sold the investment in the same year. 2 For 2022, consists of USD 27m from associates and USD 5m from joint ventures (for 2021, consists of USD 79m from associates and USD 26m from joint ventures). 3 For 2022, consists of negative USD 73m from associates (for 2021, consists of USD 44m from associates and USD 1m from joint ventures). 4 In 2022, UBS AG's equity interest amounted to 17.31%. UBS AG is represented on the Board of Directors.

c) Unconsolidated structured entities

UBS is considered to sponsor another entity if, in addition to ongoing involvement with that entity, it had a key role in establishing that entity or in bringing together relevant counterparties for a transaction facilitated by that entity. During 2022, the Group sponsored the creation of various SEs and interacted with a number of non-sponsored SEs, including securitization vehicles, client vehicles and certain investment funds, that UBS did not consolidate as of 31 December 2022 because it did not control them.

Interests in unconsolidated structured entities

The table below presents the Group's interests in and maximum exposure to loss from unconsolidated SEs, as well as the total assets held by the SEs in which UBS had an interest as of year-end, except for investment funds sponsored by third parties, for which the carrying amount of UBS's interest as of year-end has been disclosed.

Sponsored unconsolidated structured entities in which UBS did not have an interest at year-end

During 2022 and 2021, the Group did not earn material income from sponsored unconsolidated SEs in which UBS did not have an interest at year-end.

During 2022 and 2021, UBS and third parties did not transfer any assets into sponsored securitization vehicles created in the year. UBS and third parties transferred assets, alongside deposits and debt issuances (which are assets from the perspective of the vehicle), of USD 1bn and USD 3bn, respectively, into sponsored client vehicles created in 2022 (2021: USD 1bn and USD 2bn, respectively). For sponsored investment funds, transfers arose during the period as investors invested and redeemed positions, thereby changing the overall size of the funds, which, when combined with market movements, resulted in a total closing net asset value of USD 38bn (31 December 2021: USD 46bn).

Note 28 Interests in subsidiaries and other entities (continued)

| Interests in unconsolidated structured entities | | | | | |
|--|--------------------------|------------------------|------------------------|---------------|---------------------------------------|
| | 31.12.22 | | | | |
| <i>USD m, except where indicated</i> | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss ¹ |
| Financial assets at fair value held for trading | 278 | 81 | 5,884 | 6,243 | 6,243 |
| Derivative financial instruments | 3 | 160 | 115 | 278 | 278 |
| Loans and advances to customers | | | 119 | 119 | 119 |
| Financial assets at fair value not held for trading | | | 225 | 225 | 225 |
| Financial assets measured at fair value through other comprehensive income ² | | | | | |
| Other financial assets measured at amortized cost ² | 837 | 4,977 ³ | 2 | 5,817 | 6,066 |
| Total assets | 1,118⁴ | 5,219 | 6,345 | 12,681 | |
| Derivative financial instruments | 1 | 35 | 763 | 798 | 2 |
| Total liabilities | 1 | 35 | 763 | 798 | |
| Assets held by the unconsolidated structured entities in which UBS had an interest (USD bn) | 50⁵ | 107⁶ | 139⁷ | | |

| | 31.12.21 | | | | |
|--|-------------------------|-----------------------|------------------------|---------------|---------------------------------------|
| <i>USD m, except where indicated</i> | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss ¹ |
| Financial assets at fair value held for trading | 246 | 162 | 6,743 | 7,151 | 7,151 |
| Derivative financial instruments | 5 | 45 | 155 | 205 | 205 |
| Loans and advances to customers | | | 125 | 125 | 125 |
| Financial assets at fair value not held for trading | 35 | | 222 | 257 | 257 |
| Financial assets measured at fair value through other comprehensive income | 324 | 4,525 | | 4,849 | 4,849 |
| Other financial assets measured at amortized cost | | 0 ³ | 0 | 1 | 250 |
| Total assets | 610⁴ | 4,732 | 7,247 | 12,588 | |
| Derivative financial instruments | 2 | 11 | 281 | 294 | |
| Total liabilities | 2 | 11 | 281 | 294 | |
| Assets held by the unconsolidated structured entities in which UBS had an interest (USD bn) | 30⁵ | 81⁶ | 158⁷ | | |

¹ For the purpose of this disclosure, maximum exposure to loss amounts do not consider the risk-reducing effects of collateral or other credit enhancements. ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1b for more information. ³ Includes the carrying amount of loan commitments. The maximum exposure to loss for these instruments is equal to the notional amount. ⁴ As of 31 December 2022, USD 0.1bn of the USD 1.1bn (31 December 2021: USD 0.1bn of the USD 0.6bn) was held in Group Functions – Non-core and Legacy Portfolio. ⁵ Represents the principal amount outstanding. ⁶ Represents the market value of total assets. ⁷ Represents the net asset value of the investment funds sponsored by UBS and the carrying amount of UBS's interests in the investment funds not sponsored by UBS.

The Group retains or purchases interests in unconsolidated SEs in the form of direct investments, financing, guarantees, letters of credit and derivatives, as well as through management contracts. The Group's maximum exposure to loss is generally equal to the carrying amount of the Group's interest in the given SE, with this subject to change over time with market movements. Guarantees, letters of credit and credit derivatives are an exception, with the given contract's notional amount, adjusted for losses already incurred, representing the maximum loss that the Group is exposed to.

The maximum exposure to loss disclosed in the table above does not reflect the Group's risk management activities, including effects from financial instruments that may be used to economically hedge risks inherent in the given unconsolidated SE or risk-reducing effects of collateral or other credit enhancements.

In 2022 and 2021, the Group did not provide support, financial or otherwise, to any unconsolidated SE when not contractually obligated to do so, nor does the Group have any intention to do so in the future.

In 2022 and 2021, income and expenses from interests in unconsolidated SEs primarily resulted from mark-to-market movements recognized in *Other net income from financial instruments measured at fair value through profit or loss*, which were generally hedged with other financial instruments, as well as fee and commission income received from UBS-sponsored funds.

Interests in securitization vehicles

As of 31 December 2022 and 31 December 2021, the Group held interests, both retained and acquired, in various securitization vehicles that relate to financing, underwriting, secondary market and derivative trading activities.

The numbers outlined in the table above may differ from the securitization positions presented in the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for the following reasons: (i) exclusion of synthetic securitizations transacted with entities that are not SEs and transactions in which the Group did not have an interest because it did not absorb any risk; (ii) a different measurement basis in certain cases (e.g., IFRS carrying amount within the previous table compared with net exposure amount at default for Pillar 3 disclosures); and (iii) different classification of vehicles viewed as sponsored by the Group versus sponsored by third parties.

› Refer to the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information

Note 28 Interests in subsidiaries and other entities (continued)

Interests in client vehicles

Client vehicles are established predominantly for clients to gain exposure to specific assets or risk exposures. Such vehicles may enter into derivative agreements, with UBS or a third party, to align the cash flows of the entity with the investor's intended investment objective, or to introduce other desired risk exposures.

As of 31 December 2022 and 31 December 2021, the Group retained interests in client vehicles sponsored by UBS and third parties that relate to financing, secondary market and derivative trading activities, and to hedge structured product offerings.

Interests in investment funds

Investment funds have a collective investment objective, and are either passively managed, so that any decision-making does not have a substantive effect on variability, or are actively managed and investors or their governing bodies do not have substantive voting or similar rights.

The Group holds interests in a number of investment funds, primarily resulting from seed investments or in order to hedge structured product offerings. In addition to the interests disclosed in the table above, the Group manages the assets of various pooled investment funds and receives fees based, in whole or in part, on the net asset value of the fund and / or the performance of the fund. The specific fee structure is determined based on various market factors and considers the fund's nature and the jurisdiction of incorporation, as well as fee schedules negotiated with clients. These fee contracts represent an interest in the fund, as they align the Group's exposure with investors, providing a variable return based on the performance of the entity. Depending on the structure of the fund, these fees may be collected directly from the fund's assets and / or from the investors. Any amounts due are collected on a regular basis and are generally backed by the fund's assets. Therefore, interest in such funds is not represented by the on-balance sheet fee receivable but rather by the future exposure to variable fees. The total assets of such funds were USD 292bn and USD 370bn as of 31 December 2022 and 31 December 2021, respectively, and have been excluded from the table above. The Group did not have any material exposure to loss from these interests as of 31 December 2022 or as of 31 December 2021.

Note 29 Changes in organization and acquisitions and disposals of subsidiaries and businesses

Disposals of subsidiaries and businesses

Sale of UBS Swiss Financial Advisers AG

In the third quarter of 2022, UBS completed the sale of its wholly owned subsidiary UBS Swiss Financial Advisers AG (SFA) to Vontobel. UBS continues to refer US clients that want to have discretionary portfolio management or investment advisory services booked in Switzerland to Vontobel SFA. Upon completion of the sale, UBS recorded a pre-tax gain of USD 86m in 2022, which was recognized in *Other income*.

Prior to completion of the sale, the assets and liabilities that were subject to the transaction were presented as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* (31 December 2021: USD 446m and USD 475m, respectively).

Sale of wealth management business in Spain

UBS completed the sale of its domestic wealth management business in Spain to Singular Bank in the third quarter of 2022. The sale included the transition of employees, client relationships, products and services of the wealth management business of UBS in Spain and resulted in a pre-tax gain of USD 133m in 2022, which was recognized in *Other income*.

Prior to completion of the sale, the assets and liabilities that were subject to the transaction were presented as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* (31 December 2021: USD 647m and USD 823m, respectively).

Sale of US alternative investments administration business

In the fourth quarter of 2022, UBS sold its US alternative investments administration business and recorded a pre-tax gain of USD 41m gain in *Other income*.

Sale of investments in associates and joint ventures

UBS sold its minority investment (49%) in its Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc., in 2022.

› Refer to Note 28b for more information

Acquisitions of subsidiaries and businesses

Wealthfront

In August 2022, UBS and Wealthfront mutually agreed to terminate their merger agreement, under which Wealthfront was to be acquired by UBS Americas Inc. In the third quarter of 2022, UBS purchased a USD 69.7m note convertible into Wealthfront shares.

Note 30 Related parties

UBS defines related parties as associates (entities that are significantly influenced by UBS), joint ventures (entities in which UBS shares control with another party), post-employment benefit plans for UBS employees, key management personnel, close family members of key management personnel and entities that are, directly or indirectly, controlled or jointly controlled by key management personnel or their close family members. Key management personnel is defined as members of the Board of Directors (the BoD) and Group Executive Board (the GEB).

a) Remuneration of key management personnel

The Vice Chairman of the BoD has a specific management employment contract and receives pension benefits upon retirement. Total remuneration of the Chairman and the Vice Chairman of the BoD and all GEB members is included in the table below.

| Remuneration of key management personnel | | | |
|--|------------|------------|------------|
| <i>USD m, except where indicated</i> | 31.12.22 | 31.12.21 | 31.12.20 |
| Base salaries and other cash payments ¹ | 27 | 31 | 33 |
| Incentive awards – cash ² | 17 | 17 | 18 |
| Annual incentive award under DCCP | 25 | 26 | 27 |
| Employer's contributions to retirement benefit plans | 2 | 3 | 3 |
| Benefits in kind, fringe benefits (at market value) | 1 | 1 | 1 |
| Share-based compensation ³ | 45 | 45 | 47 |
| Total | 118 | 124 | 129 |
| Total (CHF m)⁴ | 114 | 113 | 121 |

¹ May include role-based allowances in line with market practice and regulatory requirements. ² The cash portion may also include blocked shares in line with regulatory requirements. ³ Compensation expense is based on the share price on grant date taking into account performance conditions. Refer to Note 27 for more information. For GEB members, share-based compensation for 2022, 2021 and 2020 was entirely composed of LTIP awards. For the Chairman of the BoD the share-based compensation for 2022, 2021 and 2020 was entirely composed of UBS shares. ⁴ Swiss franc amounts disclosed represent the respective US dollar amounts translated at the applicable performance award currency exchange rates (2022: USD / CHF 0.96; 2021: USD / CHF 0.92; 2020: USD / CHF 0.94).

The independent members of the BoD, including the Chairman, do not have employment or service contracts with UBS, and thus are not entitled to benefits upon termination of their service on the BoD. Payments to these individuals for their services as independent members of the BoD amounted to USD 11.1m (CHF 10.7m) in 2022, USD 7.5m (CHF 6.9m) in 2021 and USD 7.0m (CHF 6.6m) in 2020.

b) Equity holdings of key management personnel

| Equity holdings of key management personnel ¹ | | |
|---|-----------|-----------|
| | 31.12.22 | 31.12.21 |
| Number of UBS Group AG shares held by members of the BoD, GEB and parties closely linked to them ² | 3,009,686 | 4,597,006 |

¹ No options were held in 2022 and 2021 by non-independent members of the BoD and any GEB member or any of its related parties. ² Excludes shares granted under variable compensation plans with forfeiture provisions.

Of the share totals above, no shares were held by close family members of key management personnel on 31 December 2022 and 31 December 2021. No shares were held by entities that are directly or indirectly controlled or jointly controlled by key management personnel or their close family members on 31 December 2022 and 31 December 2021. As of 31 December 2022, no member of the BoD or GEB was the beneficial owner of more than 1% of the shares in UBS Group AG.

c) Loans, advances and mortgages to key management personnel

The non-independent members of the BoD and GEB members are granted loans, fixed advances and mortgages in the ordinary course of business on substantially the same terms and conditions that are available to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. Independent BoD members are granted loans and mortgages in the ordinary course of business at general market conditions.

Movements in the loan, advances and mortgage balances are as follows.

Note 30 Related parties (continued)

Loans, advances and mortgages to key management personnel¹

| <i>USD m, except where indicated</i> | 2022 | 2021 |
|---|-----------|-----------|
| Balance at the beginning of the year | 34 | 38 |
| Additions | 8 | 11 |
| Reductions | (9) | (15) |
| Balance at the end of the year² | 33 | 34 |
| Balance at the end of the year (CHF m)^{2,3} | 31 | 31 |

¹ All loans are secured loans. ² There were no unused uncommitted credit facilities as of 31 December 2022 and 31 December 2021. ³ Swiss franc amounts disclosed represent the respective US dollar amounts translated at the relevant year-end closing exchange rate.

d) Other related-party transactions with entities controlled by key management personnel

In 2022 and 2021, UBS did not enter into transactions with entities that are directly or indirectly controlled or jointly controlled by UBS's key management personnel or their close family members and as of 31 December 2022, 31 December 2021 and 31 December 2020, there were no outstanding balances related to such transactions. Furthermore, in 2022 and 2021, entities controlled by key management personnel did not sell any goods or provide any services to UBS, and therefore did not receive any fees from UBS. UBS also did not provide services to such entities in 2022 and 2021, and therefore also received no fees.

e) Transactions with associates and joint ventures

Loans to and outstanding receivables from associates and joint ventures

| <i>USD m</i> | 2022 | 2021 |
|--|-------|-------|
| Carrying amount at the beginning of the year | 251 | 630 |
| Additions | 402 | 133 |
| Reductions | (438) | (497) |
| Foreign currency translation | 1 | (14) |
| Carrying amount at the end of the year | 217 | 251 |
| <i>of which: unsecured loans and receivables</i> | 209 | 243 |

Other transactions with associates and joint ventures

| <i>USD m</i> | As of or for the year ended | |
|---|-----------------------------|----------|
| | 31.12.22 | 31.12.21 |
| Payments to associates and joint ventures for goods and services received | 138 | 157 |
| Fees received for services provided to associates and joint ventures | 4 | 104 |
| Liabilities to associates and joint ventures | 90 | 127 |
| Commitments and contingent liabilities to associates and joint ventures | 7 | 7 |

› Refer to Note 28 for an overview of investments in associates and joint ventures

Note 31 Invested assets and net new money

The following disclosures provide a breakdown of UBS's invested assets and a presentation of their development, including net new money, as required by the Swiss Financial Market Supervisory Authority (FINMA).

Invested assets

Invested assets consist of all client assets managed by or deposited with UBS for investment purposes. Invested assets include managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. All assets held for purely transactional purposes and custody-only assets, including corporate client assets held for cash management and transactional purposes, are excluded from invested assets, as the Group only administers the assets and does not offer advice on how they should be invested. Also excluded are non-bankable assets (e.g., art collections) and deposits from third-party banks for funding or trading purposes.

Note 31 Invested assets and net new money (continued)

Discretionary assets are defined as client assets that UBS decides how to invest. Other invested assets are those where the client ultimately decides how the assets are invested. When a single product is created in one business division and sold in another, it is counted in both the business division managing the investment and the one distributing it. This results in double counting within UBS's total invested assets and net new money, as both business divisions are independently providing a service to their respective clients, and both add value and generate revenue.

Net new money

Net new money in a reporting period is the amount of invested assets entrusted to UBS by new and existing clients, less those withdrawn by existing clients and clients who terminated relationships with UBS.

Net new money is calculated using the direct method, under which inflows and outflows to / from invested assets are determined at the client level, based on transactions. Interest and dividend income from invested assets are not counted as net new money inflows. Market and currency movements, as well as fees, commissions and interest on loans charged, are excluded from net new money, as are effects resulting from any acquisition or divestment of a UBS subsidiary or business. Reclassifications between invested assets and custody-only assets as a result of a change in service level delivered are generally treated as net new money flows. However, where the change in service level directly results from an externally imposed regulation or a strategic decision by UBS to exit a market or specific service offering, the one-time net effect is reported as *Other effects*.

The Investment Bank does not track invested assets and net new money. However, when a client is transferred from the Investment Bank to another business division, this may produce net new money even though the client's assets were already with UBS.

Invested assets and net new money

| USD bn | As of or for the year ended | |
|--|-----------------------------|--------------|
| | 31.12.22 | 31.12.21 |
| Fund assets managed by UBS | 390 | 419 |
| Discretionary assets | 1,440 | 1,705 |
| Other invested assets | 2,127 | 2,472 |
| Total invested assets¹ | 3,957 | 4,596 |
| <i>of which: double counts</i> | <i>340</i> | <i>356</i> |
| Net new money¹ | 68 | 159 |

¹ Includes double counts.

Development of invested assets

| USD bn | 2022 | 2021 |
|---|--------------|--------------|
| Total invested assets at the beginning of the year ¹ | 4,596 | 4,187 |
| Net new money | 68 | 159 |
| Market movements ² | (595) | 339 |
| Foreign currency translation | (72) | (65) |
| Other effects | (40) | (24) |
| <i>of which: acquisitions / (divestments)</i> | <i>(19)</i> | <i>(5)</i> |
| Total invested assets at the end of the year¹ | 3,957 | 4,596 |

¹ Includes double counts. ² Includes interest and dividend income.

Note 32 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS's operations with a functional currency other than the US dollar into US dollars.

| | Closing exchange rate | | Average rate ¹ | | |
|---------|-----------------------|----------|---------------------------|----------|----------|
| | As of | | For the year ended | | |
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.20 |
| 1 CHF | 1.08 | 1.10 | 1.05 | 1.09 | 1.07 |
| 1 EUR | 1.07 | 1.14 | 1.05 | 1.18 | 1.15 |
| 1 GBP | 1.21 | 1.35 | 1.23 | 1.37 | 1.29 |
| 100 JPY | 0.76 | 0.87 | 0.76 | 0.91 | 0.94 |

¹ Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a year represent an average of twelve month-end rates, weighted according to the income and expense volumes of all operations of the Group with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for the Group.

Note 33 Main differences between IFRS and Swiss GAAP

The consolidated financial statements of UBS Group AG are prepared in accordance with International Financial Reporting Standards (IFRS). The Swiss Financial Market Supervisory Authority (FINMA) requires financial groups presenting financial statements under IFRS to provide a narrative explanation of the main differences between IFRS and Swiss generally accepted accounting principles (GAAP) (the FINMA Accounting Ordinance, FINMA Circular 2020/1 "Accounting – banks" and the Banking Ordinance (the BO)). Included in this Note are the significant differences in the recognition and measurement between IFRS and the provisions of the BO and the guidelines of FINMA governing true and fair view financial statement reporting pursuant to Art. 25 to Art. 42 of the BO.

1. Consolidation

Under IFRS, all entities that are controlled by the holding entity are consolidated. Under Swiss GAAP controlled entities deemed immaterial to a group or those held only temporarily are exempt from consolidation, but instead are recorded as participations accounted for under the equity method of accounting or as financial investments measured at the lower of cost or market value.

2. Classification and measurement of financial assets

Under IFRS, debt instruments are measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the nature of the business model within which the particular asset is held and the characteristics of the contractual cash flows of the asset. Equity instruments are accounted for at FVTPL by UBS. Under Swiss GAAP, trading assets and derivatives are measured at FVTPL, in line with IFRS. However, non-trading debt instruments are generally measured at amortized cost, even when the assets are managed on a fair value basis. In addition, the measurement of financial assets in the form of securities depends on the nature of the asset: debt instruments not held to maturity, i.e., instruments available for sale, and equity instruments with no permanent holding intent, are classified as *Financial investments* and measured at the lower of (amortized) cost or market value. Market value adjustments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded in the income statement as *Other income from ordinary activities*. Equity instruments with a permanent holding intent are classified as participations in *Non-consolidated investments in subsidiaries and other participations* and are measured at cost less impairment. Impairment losses are recorded in the income statement as *Impairment of investments in non-consolidated subsidiaries and other participations*. Reversals of impairments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded as *Extraordinary income / Extraordinary expenses*.

3. Fair value option applied to financial liabilities

Under IFRS, UBS applies the fair value option to certain financial liabilities not held for trading. Instruments for which the fair value option is applied are accounted for at FVTPL. The amount of change in the fair value attributable to changes in UBS's own credit is presented in *Other comprehensive income* directly within *Retained earnings*. The fair value option is applied primarily to issued structured debt instruments, certain non-structured debt instruments, certain payables under repurchase agreements and cash collateral on securities lending agreements, amounts due under unit-linked investment contracts, and brokerage payables.

Under Swiss GAAP, the fair value option can only be applied to structured debt instruments consisting of a debt host contract and one or more embedded derivatives that do not relate to own equity. Furthermore, unrealized changes in fair value attributable to changes in UBS's own credit are not recognized, whereas realized own credit is recognized in *Net trading income*.

4. Allowances and provisions for credit losses

Swiss GAAP permit use of IFRS for accounting for allowances and provisions for credit losses based on an expected credit loss (ECL) model. UBS has chosen to apply the IFRS 9 ECL approach to those exposures that are in the ECL scope of both frameworks, IFRS and Swiss GAAP.

For the small residual exposures within the scope of Swiss GAAP ECL requirements, which are not subject to ECL under IFRS due to classification differences, UBS applies alternative approaches.

- For exposures for which Pillar 1 internal ratings-based models are applied to measure credit risk, ECL is determined by the regulatory expected loss (EL), with an add-on for scaling up to the residual maturity of exposures maturing beyond the next 12 months, as appropriate. For detailed information on regulatory EL, refer to the "Risk management and control" section of this report.
- For exposures for which the Pillar 1 standardized approach is used to measure credit risk, ECL is determined using a portfolio approach that derives a conservative probability of default (PD) and a conservative loss given default (LGD) for the entire portfolio.

5. Hedge accounting

Under IFRS, when cash flow hedge accounting is applied, the fair value gain or loss on the effective portion of a derivative designated as a cash flow hedge is recognized initially in equity and reclassified to the income statement when certain conditions are met. When fair value hedge accounting is applied, the fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and is recognized in the income statement along with the change in the fair value of the hedging derivative. Under Swiss GAAP, the effective portion of the fair value change of a derivative instrument designated as a cash flow or as a fair value hedge is deferred on the balance sheet as *Other assets* or *Other liabilities*. The carrying amount of the hedged item designated in fair value hedges is not adjusted for fair value changes attributable to the hedged risk.

6. Goodwill and intangible assets

Under IFRS, goodwill acquired in a business combination is not amortized but tested annually for impairment. Intangible assets with an indefinite useful life are also not amortized but tested annually for impairment. Under Swiss GAAP, goodwill and intangible assets with indefinite useful lives are amortized over a period not exceeding five years, unless a longer useful life, which may not exceed 10 years, can be justified. In addition, these assets are tested annually for impairment.

7. Post-employment benefit plans

Swiss GAAP permit the use of IFRS or Swiss accounting standards for post-employment benefit plans, with the election made on a plan-by-plan basis.

UBS has elected to apply IFRS (IAS 19) for the non-Swiss defined benefit plans in the UBS AG standalone financial statements and Swiss GAAP (FER 16) for the Swiss pension plan in the UBS AG and the UBS Switzerland AG standalone financial statements. The requirements of Swiss GAAP are better aligned with the specific nature of Swiss pension plans, which are hybrid in that they combine elements of defined contribution and defined benefit plans, but are treated as defined benefit plans under IFRS. Key differences between Swiss GAAP and IFRS include the treatment of dynamic elements, such as future salary increases and future interest credits on retirement savings, which are not considered under the static method used in accordance with Swiss GAAP. Also, the discount rate used to determine the defined benefit obligation in accordance with IFRS is based on the yield of high-quality corporate bonds of the market in the respective pension plan country. The discount rate used in accordance with Swiss GAAP (i.e., the technical interest rate) is determined by the Pension Foundation Board based on the expected returns of the Board's investment strategy.

For defined benefit plans, IFRS require the full defined benefit obligation net of the plan assets to be recorded on the balance sheet subject to the asset ceiling rules, with changes resulting from remeasurements recognized directly in equity. However, for non-Swiss defined benefit plans for which IFRS accounting is elected, changes due to remeasurements are recognized in the income statement of UBS AG standalone under Swiss GAAP.

Swiss GAAP require employer contributions to the pension fund to be recognized as personnel expenses in the income statement. Swiss GAAP also require an assessment of whether, based on the pension fund's financial statements prepared in accordance with Swiss accounting standards (FER 26), an economic benefit to, or obligation of, the employer arises from the pension fund that is recognized in the balance sheet when conditions are met. Conditions for recording a pension asset or liability would be met if, for example, an employer contribution reserve is available or the employer is required to contribute to the reduction of a pension deficit (on an FER 26 basis).

8. Leasing

Under IFRS, a single lease accounting model applies that requires UBS to record a right-of-use (RoU) asset and a corresponding lease liability on the balance sheet when UBS is a lessee in a lease arrangement. The RoU asset and the lease liability are recognized when UBS acquires control of the physical use of the asset. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using UBS's unsecured borrowing rate. The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset and / or lease incentives received. The RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Under Swiss GAAP, leases that transfer substantially all the risks and rewards, but not necessarily legal title in the underlying assets, are classified as finance leases. All other leases are classified as operating leases. Whereas finance leases are recognized on the balance sheet and measured in line with IFRS, operating leases are not recognized on the balance sheet, with payments recognized as *General and administrative expenses* on a straight-line basis over the lease term, which commences with control of the physical use of the asset. Lease incentives are treated as a reduction of rental expense and recognized on a consistent basis over the lease term.

9. Netting of derivative assets and liabilities

Under IFRS, derivative assets, derivative liabilities and related cash collateral not settled to market are reported on a gross basis unless the restrictive IFRS netting requirements are met: (i) existence of master netting agreements and related collateral arrangements that are unconditional and legally enforceable, in both the normal course of business and the event of default, bankruptcy or insolvency of UBS and its counterparties; and (ii) UBS's intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. Under Swiss GAAP, derivative assets, derivative liabilities and related cash collateral not settled to market are generally reported on a net basis, provided the master netting and the related collateral agreements are legally enforceable in the event of default, bankruptcy or insolvency of UBS's counterparties.

10. Negative interest

Under IFRS, negative interest income arising on a financial asset does not meet the definition of interest income and, therefore, negative interest on financial assets and negative interest on financial liabilities are presented within interest expense and interest income, respectively. Under Swiss GAAP, negative interest on financial assets is presented within interest income and negative interest on financial liabilities is presented within interest expense.

11. Extraordinary income and expense

Certain non-recurring and non-operating income and expense items, such as realized gains or losses from the disposal of participations, fixed and intangible assets, and reversals of impairments of participations and fixed assets, are classified as extraordinary items under Swiss GAAP. This distinction is not available under IFRS. ▲

UBS AG consolidated financial information

This section contains a comparison of selected financial and capital information between UBS Group AG consolidated and UBS AG consolidated. Information for UBS AG consolidated does not differ materially from UBS Group AG on a consolidated basis.

Comparison between UBS Group AG consolidated and UBS AG consolidated

The accounting policies applied under International Financial Reporting Standards (IFRS) to both the UBS Group AG and the UBS AG consolidated financial statements are identical. However, there are certain scope and presentation differences as noted below:

- Assets, liabilities, revenues, operating expenses and tax expenses / (benefits) relating to UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG, are reflected in the consolidated financial statements of UBS Group AG but not of UBS AG. UBS AG's assets, liabilities, revenues and operating expenses related to transactions with UBS Group AG and its directly held subsidiaries, including UBS Business Solutions AG and other shared services subsidiaries, are not subject to elimination in the UBS AG consolidated financial statements, but are eliminated in the UBS Group AG consolidated financial statements.
- Differences in net profit between UBS Group AG consolidated and UBS AG consolidated mainly arise as UBS Business Solutions AG and other shared services subsidiaries of UBS Group AG charge other legal entities within the UBS AG consolidation scope for services provided, including a markup on costs incurred. In addition, and to a lesser extent, differences arise as a result of certain compensation-related matters, including pensions.
- The equity of UBS Group AG consolidated was USD 0.3bn higher than the equity of UBS AG consolidated as of 31 December 2022. This difference was mainly driven by higher dividends paid by UBS AG to UBS Group AG compared with the dividend distributions of UBS Group AG, as well as higher retained earnings in the UBS Group AG consolidated financial statements, largely related to the aforementioned markup charged by shared services subsidiaries of UBS Group AG to other legal entities in the UBS AG scope of consolidation. In addition, UBS Group AG is the grantor of the majority of the compensation plans of the Group and recognizes share premium for equity-settled awards granted. These effects were largely offset by treasury shares acquired as part of our share repurchase programs and those held to hedge share delivery obligations associated with Group compensation plans, as well as additional share premium recognized at the UBS AG consolidated level related to the establishment of UBS Group AG and UBS Business Solutions AG, a wholly owned subsidiary of UBS Group AG.
- The going concern capital of UBS Group AG consolidated was USD 3.6bn higher than the going concern capital of UBS AG consolidated as of 31 December 2022, reflecting higher common equity tier 1 (CET1) capital of USD 2.5bn and going concern loss-absorbing additional tier 1 (AT1) capital of USD 1.0bn.
- The CET1 capital of UBS Group AG consolidated was USD 2.5bn higher than that of UBS AG consolidated as of 31 December 2022, primarily due to lower UBS Group AG accruals for dividends to shareholders and USD 0.3bn higher UBS Group AG consolidated IFRS equity. The aforementioned factors were partly offset by compensation-related regulatory capital accruals at the UBS Group AG level.
- The going concern loss-absorbing AT1 capital of UBS Group AG consolidated was USD 1.0bn higher than that of UBS AG consolidated as of 31 December 2022, mainly reflecting Deferred Contingent Capital Plan awards granted at the Group level to eligible employees for the performance years 2017 to 2021, partly offset by four loss-absorbing AT1 capital instruments on-lent by UBS Group AG to UBS AG.

UBS AG consolidated key figures

| <i>USD m, except where indicated</i> | As of or for the year ended | | |
|--|-----------------------------|-----------|-----------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Results | | | |
| Total revenues | 34,915 | 35,828 | 33,474 |
| Credit loss expense / (release) | 29 | (148) | 695 |
| Operating expenses | 25,927 | 27,012 | 25,081 |
| Operating profit / (loss) before tax | 8,960 | 8,964 | 7,699 |
| Net profit / (loss) attributable to shareholders | 7,084 | 7,032 | 6,196 |
| Profitability and growth¹ | | | |
| Return on equity (%) | 12.6 | 12.3 | 10.9 |
| Return on tangible equity (%) | 14.2 | 13.9 | 12.4 |
| Return on common equity tier 1 capital (%) | 16.8 | 17.6 | 16.6 |
| Return on leverage ratio denominator, gross (%) ² | 3.4 | 3.4 | 3.4 |
| Cost / income ratio (%) | 74.3 | 75.4 | 74.9 |
| Net profit growth (%) | 0.7 | 13.5 | 56.3 |
| Resources¹ | | | |
| Total assets | 1,105,436 | 1,116,145 | 1,125,327 |
| Equity attributable to shareholders | 56,598 | 58,102 | 57,754 |
| Common equity tier 1 capital ³ | 42,929 | 41,594 | 38,181 |
| Risk-weighted assets ³ | 317,823 | 299,005 | 286,743 |
| Common equity tier 1 capital ratio (%) ³ | 13.5 | 13.9 | 13.3 |
| Going concern capital ratio (%) ³ | 17.2 | 18.5 | 18.3 |
| Total loss-absorbing capacity ratio (%) ³ | 32.0 | 33.3 | 34.2 |
| Leverage ratio denominator ^{2,3} | 1,029,561 | 1,067,679 | 1,036,771 |
| Common equity tier 1 leverage ratio (%) ^{2,3} | 4.17 | 3.90 | 3.68 |
| Other | | | |
| Invested assets (USD bn) ⁴ | 3,957 | 4,596 | 4,187 |
| Personnel (full-time equivalents) | 47,628 | 47,067 | 47,546 |

¹ Refer to the "Targets, aspirations and capital guidance" section of this report for more information about our performance measurement. ² Leverage ratio denominators and leverage ratios for year 2020 do not reflect the effects of the temporary exemption that applied from 25 March 2020 until 1 January 2021 and was granted by FINMA in connection with COVID-19. Refer to the "Regulatory and legal developments" section of our Annual Report 2020 for more information. ³ Based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ⁴ Consists of invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking. Refer to "Note 31 Invested assets and net new money" in the "Consolidated financial statements" section of this report for more information.

Comparison between UBS Group AG consolidated and UBS AG consolidated

| | As of or for the year ended 31.12.22 | | | As of or for the year ended 31.12.21 | | |
|---|--------------------------------------|---------------------|-----------------------|--------------------------------------|---------------------|-----------------------|
| | UBS Group AG consolidated | UBS AG consolidated | Difference (absolute) | UBS Group AG consolidated | UBS AG consolidated | Difference (absolute) |
| <i>USD m, except where indicated</i> | | | | | | |
| Income statement | | | | | | |
| Total revenues | 34,563 | 34,915 | (353) | 35,393 | 35,828 | (434) |
| Credit loss expense / (release) | 29 | 29 | 0 | (148) | (148) | 0 |
| Operating expenses | 24,930 | 25,927 | (997) | 26,058 | 27,012 | (955) |
| Operating profit / (loss) before tax | 9,604 | 8,960 | 644 | 9,484 | 8,964 | 520 |
| of which: Global Wealth Management | 4,977 | 4,894 | 83 | 4,783 | 4,706 | 77 |
| of which: Personal & Corporate Banking | 1,812 | 1,790 | 21 | 1,731 | 1,726 | 4 |
| of which: Asset Management | 1,397 | 1,396 | 1 | 1,030 | 1,023 | 7 |
| of which: Investment Bank | 1,897 | 1,839 | 58 | 2,630 | 2,592 | 38 |
| of which: Group Functions | (480) | (960) | 480 | (689) | (1,083) | 394 |
| Net profit / (loss) | 7,661 | 7,116 | 546 | 7,486 | 7,061 | 425 |
| of which: net profit / (loss) attributable to shareholders | 7,630 | 7,084 | 546 | 7,457 | 7,032 | 425 |
| of which: net profit / (loss) attributable to non-controlling interests | 32 | 32 | 0 | 29 | 29 | 0 |
| Statement of comprehensive income | | | | | | |
| Other comprehensive income | (4,494) | (4,396) | (98) | (2,367) | (2,235) | (131) |
| of which: attributable to shareholders | (4,481) | (4,383) | (98) | (2,351) | (2,220) | (131) |
| of which: attributable to non-controlling interests | (14) | (14) | 0 | (16) | (16) | 0 |
| Total comprehensive income | 3,167 | 2,719 | 448 | 5,119 | 4,826 | 293 |
| of which: attributable to shareholders | 3,149 | 2,701 | 448 | 5,106 | 4,813 | 293 |
| of which: attributable to non-controlling interests | 18 | 18 | 0 | 13 | 13 | 0 |
| Balance sheet | | | | | | |
| Total assets | 1,104,364 | 1,105,436 | (1,072) | 1,117,182 | 1,116,145 | 1,037 |
| Total liabilities | 1,047,146 | 1,048,496 | (1,349) | 1,056,180 | 1,057,702 | (1,522) |
| Total equity | 57,218 | 56,940 | 278 | 61,002 | 58,442 | 2,559 |
| of which: equity attributable to shareholders | 56,876 | 56,598 | 278 | 60,662 | 58,102 | 2,559 |
| of which: equity attributable to non-controlling interests | 342 | 342 | 0 | 340 | 340 | 0 |
| Capital information | | | | | | |
| Common equity tier 1 capital | 45,457 | 42,929 | 2,528 | 45,281 | 41,594 | 3,687 |
| Going concern capital | 58,321 | 54,770 | 3,551 | 60,488 | 55,434 | 5,054 |
| Risk-weighted assets | 319,585 | 317,823 | 1,762 | 302,209 | 299,005 | 3,204 |
| Common equity tier 1 capital ratio (%) | 14.2 | 13.5 | 0.7 | 15.0 | 13.9 | 1.1 |
| Going concern capital ratio (%) | 18.2 | 17.2 | 1.0 | 20.0 | 18.5 | 1.5 |
| Total loss-absorbing capacity ratio (%) | 33.0 | 32.0 | 0.9 | 34.7 | 33.3 | 1.3 |
| Leverage ratio denominator | 1,028,461 | 1,029,561 | (1,100) | 1,068,862 | 1,067,679 | 1,183 |
| Common equity tier 1 leverage ratio (%) | 4.42 | 4.17 | 0.25 | 4.24 | 3.90 | 0.34 |

Management's report on internal control over financial reporting

Management's responsibility for internal control over financial reporting

The Board of Directors and management of UBS AG are responsible for establishing and maintaining adequate internal control over financial reporting. UBS AG's internal control over financial reporting is designed to provide reasonable assurance regarding the preparation and fair presentation of published financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

UBS AG's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation and fair presentation of financial statements, and that receipts and expenditures of the company are being made only in accordance with authorizations of UBS AG management; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's assessment of internal control over financial reporting as of 31 December 2022

UBS AG management has assessed the effectiveness of UBS AG's internal control over financial reporting as of 31 December 2022 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013 Framework). Based on this assessment, management believes that, as of 31 December 2022, UBS AG's internal control over financial reporting was effective.

The effectiveness of UBS AG's internal control over financial reporting as of 31 December 2022 has been audited by Ernst & Young Ltd, UBS AG's independent registered public accounting firm, as stated in their ***Report of the independent registered public accounting firm on internal control over financial reporting***, which expresses an unqualified opinion on the effectiveness of UBS AG's internal control over financial reporting as of 31 December 2022.



Ernst & Young Ltd
Aeschengraben 27
P.O. Box
4002 Basel

Phone: +41 58 286 86 86
www.ey.com/ch

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS AG

Opinion on Internal Control over Financial Reporting

We have audited UBS AG and subsidiaries' internal control over financial reporting as of 31 December 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, UBS AG and subsidiaries ("the Group") maintained, in all material respects, effective internal control over financial reporting as of 31 December 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Group as of 31 December 2022 and 2021, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2022, and the related notes and our report dated 3 March 2023 expressed an unqualified opinion thereon.

Basis for Opinion

The Group's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Group's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young Ltd

Ernst & Young Ltd
Basel, 3 March 2023



Ernst & Young Ltd
Aeschengraben 27
P.O. Box
4002 Basel

Phone: +41 58 286 86 86
www.ey.com/ch

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of UBS AG

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of UBS AG and subsidiaries (“the Group”) as of 31 December 2022 and 2021, the related consolidated income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended 31 December 2022, and the related notes to the consolidated financial statements, including the information identified as “audited” as described in Note 1 (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group at 31 December 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended 31 December 2022, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Group’s internal control over financial reporting as of 31 December 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated 3 March 2023 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Group’s Board of Directors. Our responsibility is to express an opinion on the Group’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Valuation of complex or illiquid instruments at fair value

Description of the Matter

At 31 December 2022, as explained in Notes 1 and 20 to the consolidated financial statements, the Group held financial assets and liabilities measured at fair value of USD 341,858 million and USD 333,382 million, including financial instruments that did not trade in active markets. These instruments are reported within the following accounts: financial assets and liabilities at fair value held for trading, derivative financial instruments, financial assets at fair value not held for trading, debt issued designated at fair value, and other financial liabilities designated at fair value. In determining the fair value of these financial instruments, the Group used valuation techniques, modelling assumptions, and estimates of unobservable market inputs which required significant management judgment.

Auditing management's judgments and assumptions used in the estimation of the fair value of these instruments was complex due to the highly judgmental nature of valuation techniques, key modelling assumptions and significant unobservable inputs. Auditing the valuation of complex or illiquid instruments at fair value included consideration of any incremental risks arising from the impact of current macroeconomic influences on valuation techniques and inputs, such as geopolitics, inflation, and the ongoing COVID-19 pandemic. The valuation techniques that required especially complex judgement were comprised of discounted cash flow and earnings-based valuation techniques. Highly judgmental modelling assumptions result from a range of different models or model calibrations used by market participants. Valuation inputs which were particularly complex and subjective included those with a limited degree of observability and the associated extrapolation, interpolation or calibration of curves using limited and proxy data points. Examples of such inputs included unobservable credit spreads and bond prices, volatility, and correlation.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over management's financial instruments valuation processes, including controls over market data inputs, model and methodology governance, and valuation adjustments.

We tested the valuation techniques, models and methodologies, and the inputs used in those models, as outlined above, by performing an independent revaluation of certain complex or illiquid financial assets and liabilities with the support of specialists. We used independent models and inputs, and compared inputs to available market data among other procedures. We also independently challenged key judgments in relation to a sample of fair value adjustments.

We also assessed management's disclosures regarding fair value measurement (within Notes 1 and 20 to the consolidated financial statements).

Recognition of deferred tax assets

Description of the Matter At 31 December 2022, the Group's deferred tax assets ("DTA") were USD 9,354 million (see Note 8 to the consolidated financial statements). DTAs are recognized to the extent it is probable that taxable profits will be available, against which, the applicable deductible temporary differences or the carryforward of unused tax losses within the loss carryforward period can be utilized. There is significant judgment exercised when estimating future taxable income that is not based on the reversal of taxable temporary differences. Management's estimate of future taxable profits is based on its strategic plan that is sensitive to the assumptions made in estimating future taxable income.

Auditing management's assessment of the recognition of the Group's DTAs was complex due to the highly judgmental nature of estimating future taxable profits over the life of underlying tax loss carryforwards. Estimating future profitability is inherently subjective as it is sensitive to future economic, market and other conditions, which are difficult to predict, such as the impact of geopolitics, inflation, interest rates, and the ongoing COVID-19 pandemic. Specifically, some of the more subjective key macro-economic assumptions used included gross domestic product growth rates, equity market performance, and interest rate expectations.

How We Addressed the Matter in Our Audit We obtained an understanding, evaluated the design, and tested the operating effectiveness of management's controls over DTA valuation, which included the assumptions used in developing the strategic plans and estimating future taxable income.

We assessed the completeness and accuracy of the data used for the estimations of future taxable income. This included recalculating the outputs of models applied to the recognition process for DTAs.

We involved specialists to assist in assessing the key economic assumptions embedded in the strategic plans. We compared key assumptions used to forecast future taxable income to externally available historical and prospective data and assumptions, and assessed the sensitivity of the outcomes using reasonably possible changes in assumptions.

We also assessed management's disclosure regarding recognized and unrecognized deferred tax assets (within Note 8 to the consolidated financial statements).

Expected credit losses

Description of the Matter At 31 December 2022, the Group's allowances and provisions for expected credit losses ("ECL") were USD 1,091 million. As explained in Notes 1, 9 and 19 to the consolidated financial statements, ECL is recognized for financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, fee and lease receivables, financial guarantees and irrevocable loan commitments. ECL is also recognized on the undrawn portion of revolving revocable credit lines, which include the Group's credit card limits and master credit facilities. The allowances and provisions for ECL consists of exposures that are in default which are individually evaluated for impairment (stage 3), as well

as losses inherent in the loan portfolio that are not specifically identified (stage 1 and stage 2). Management's ECL estimates represent the difference between contractual cash flows and those the Group expects to receive, discounted at the effective interest rate. The method used to calculate ECL is based on a combination of the following principal factors: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

Auditing management's estimate of the allowances and provisions for ECL was complex due to the highly judgmental nature of forward-looking economic scenarios that form the basis of the ECL calculation, their probability weightings, and the credit risk models used to estimate stage 1 and stage 2 ECL. The geopolitical tensions and macroeconomic developments during 2022, such as the Russian invasion into Ukraine, US/China developments, inflation, including emerging stagflation risks and monetary policy challenges, and continued restrictions in certain locations due to the ongoing COVID-19 pandemic contribute to further uncertainty, and as a consequence additional complexity in estimating ECL. As a result, the ECL estimation requires higher management judgement, specifically within the following two areas: (i) scenario selection, including assumptions about the scenario severity, the possible geopolitical developments and macroeconomic and market developments and the number of scenarios necessary to sufficiently cover the bandwidth of potential outcomes, as well as related scenario weights and post-model adjustments; and, (ii) credit risk models, since the output from historic data based models may not be indicative of current or future conditions.

Additionally, auditing the measurement of individual ECL for stage 3 was complex due to the high degree of judgment involved in management's process for estimating ECL based on assumptions. These assumptions take into account expected future cash flows from collateral and other credit enhancements or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims.

*How We
Addressed the
Matter in Our
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of management's controls over the ECL estimate, including management's choice of forward-looking economic scenarios used to measure ECL and the probability weighting assigned to such scenarios. We evaluated management's methodologies and governance controls for developing and monitoring the economic scenarios used and the probability weightings assigned to them, and related post-model adjustment. Supported by specialists, we assessed the key macroeconomic variables used in the forward-looking scenarios, such as real gross domestic product growth, unemployment rate, interest rates and house price indices, and evaluated the modelled correlation and translation of those macroeconomic factors to the ECL estimate. We further assessed the appropriateness of the post-model adjustments by considering management's governance process, assumptions used and sensitivity analysis.

We also obtained an understanding, evaluated the design and tested the operating effectiveness of controls over credit risk models used in the ECL estimate, including controls over the completeness and accuracy of model input data, calculation logic, and output data used in the overall ECL calculation. With the support of specialists, on a sample basis, we performed an evaluation of management's models and tested the model outcomes by inspecting model documentation, reperforming model calculations, and comparing data used as inputs to management's forecast to external sources, among other procedures.

For the measurement of stage 3, we obtained an understanding, evaluated the design and tested the operating effectiveness of controls over management's process, including an evaluation of the assumptions used by management regarding the future cash flows from debtors' continuing operations and/or the liquidation of collateral. Supported by specialists in certain areas, we additionally tested collateral valuation, cash flow assumptions and exit strategies by performing inquiries of management, inspecting underlying documents, such as loan contracts, financial statements, covenants, budgets and business plans, and by re-performing discounted cash flow calculations among other procedures, on a sample basis.

We also assessed management's disclosures regarding financial assets at amortized cost and other positions in scope of expected credit loss measurement (within Notes 1, 9 and 19 to the consolidated financial statements).

Ernst & Young Ltd

Ernst & Young Ltd

We have served as the Group's auditor since 1998.

Basel, Switzerland

3 March 2023

UBS AG consolidated financial statements

Primary financial statements and share information

Audited I

Income statement

| USD m | Note | For the year ended | | |
|---|-------|--------------------|---------------|---------------|
| | | 31.12.22 | 31.12.21 | 31.12.20 |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3 | 11,803 | 8,534 | 8,816 |
| Interest expense from financial instruments measured at amortized cost | 3 | (6,696) | (3,366) | (4,333) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 3 | 1,410 | 1,437 | 1,305 |
| Net interest income | 3 | 6,517 | 6,605 | 5,788 |
| Other net income from financial instruments measured at fair value through profit or loss | 3 | 7,493 | 5,844 | 6,930 |
| Fee and commission income | 4 | 20,846 | 24,422 | 20,982 |
| Fee and commission expense | 4 | (1,823) | (1,985) | (1,775) |
| Net fee and commission income | 4 | 19,023 | 22,438 | 19,207 |
| Other income | 5 | 1,882 | 941 | 1,549 |
| Total revenues | | 34,915 | 35,828 | 33,474 |
| Credit loss expense / (release) | 19 | 29 | (148) | 695 |
| Personnel expenses | 6 | 15,080 | 15,661 | 14,686 |
| General and administrative expenses | 7 | 9,001 | 9,476 | 8,486 |
| Depreciation, amortization and impairment of non-financial assets | 11,12 | 1,845 | 1,875 | 1,909 |
| Operating expenses | | 25,927 | 27,012 | 25,081 |
| Operating profit / (loss) before tax | | 8,960 | 8,964 | 7,699 |
| Tax expense / (benefit) | 8 | 1,844 | 1,903 | 1,488 |
| Net profit / (loss) | | 7,116 | 7,061 | 6,211 |
| Net profit / (loss) attributable to non-controlling interests | | 32 | 29 | 15 |
| Net profit / (loss) attributable to shareholders | | 7,084 | 7,032 | 6,196 |

Statement of comprehensive income

| USD m | Note | For the year ended | | |
|--|------|----------------------|----------------|--------------|
| | | 31.12.22 | 31.12.21 | 31.12.20 |
| Comprehensive income attributable to shareholders | | | | |
| Net profit / (loss) | | 7,084 | 7,032 | 6,196 |
| Other comprehensive income that may be reclassified to the income statement | | | | |
| Foreign currency translation | | | | |
| Foreign currency translation movements related to net assets of foreign operations, before tax | | (869) | (1,046) | 2,040 |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges, before tax | | 319 | 492 | (938) |
| Foreign currency translation differences on foreign operations reclassified to the income statement | | 32 | (1) | (7) |
| Effective portion of changes in fair value of hedging instruments designated as net investment hedges reclassified to the income statement | | (4) | 10 | 2 |
| Income tax relating to foreign currency translations, including the effect of net investment hedges | | 4 | 35 | (67) |
| Subtotal foreign currency translation, net of tax | | (519) | (510) | 1,030 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Net unrealized gains / (losses), before tax | | (440) | (203) | 223 |
| Net realized (gains) / losses reclassified to the income statement from equity | | 1 | (9) | (40) |
| Reclassification of financial assets to Other financial assets measured at amortized cost ¹ | | 449 | | |
| Income tax relating to net unrealized gains / (losses) | | (3) | 55 | (48) |
| Subtotal financial assets measured at fair value through other comprehensive income, net of tax | | 6 | (157) | 136 |
| Cash flow hedges of interest rate risk | | | | |
| | 25 | | | |
| Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax | | (5,758) | (992) | 2,012 |
| Net (gains) / losses reclassified to the income statement from equity | | (159) | (1,073) | (770) |
| Income tax relating to cash flow hedges | | 1,124 | 390 | (231) |
| Subtotal cash flow hedges, net of tax | | (4,793) ² | (1,675) | 1,011 |
| Cost of hedging | | | | |
| | 25 | | | |
| Cost of hedging, before tax | | 45 | (32) | (13) |
| Income tax relating to cost of hedging | | 0 | 6 | 0 |
| Subtotal cost of hedging, net of tax | | 45 | (26) | (13) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | | (5,260) | (2,368) | 2,165 |
| Other comprehensive income that will not be reclassified to the income statement | | | | |
| Defined benefit plans | | | | |
| | 26 | | | |
| Gains / (losses) on defined benefit plans, before tax | | 40 | 133 | (222) |
| Income tax relating to defined benefit plans | | 41 | (31) | 88 |
| Subtotal defined benefit plans, net of tax | | 81 | 102 | (134) |
| Own credit on financial liabilities designated at fair value | | | | |
| | 20 | | | |
| Gains / (losses) from own credit on financial liabilities designated at fair value, before tax | | 867 | 46 | (293) |
| Income tax relating to own credit on financial liabilities designated at fair value | | (71) | 0 | 0 |
| Subtotal own credit on financial liabilities designated at fair value, net of tax | | 796 | 46 | (293) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | 877 | 148 | (427) |
| Total other comprehensive income | | (4,383) | (2,220) | 1,738 |
| Total comprehensive income attributable to shareholders | | 2,701 | 4,813 | 7,934 |
| Comprehensive income attributable to non-controlling interests | | | | |
| Net profit / (loss) | | 32 | 29 | 15 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | | (14) | (16) | 21 |
| Total comprehensive income attributable to non-controlling interests | | 18 | 13 | 36 |
| Total comprehensive income | | | | |
| Net profit / (loss) | | 7,116 | 7,061 | 6,211 |
| Other comprehensive income | | (4,396) | (2,235) | 1,759 |
| <i>of which: other comprehensive income that may be reclassified to the income statement</i> | | <i>(5,260)</i> | <i>(2,368)</i> | <i>2,165</i> |
| <i>of which: other comprehensive income that will not be reclassified to the income statement</i> | | <i>864</i> | <i>132</i> | <i>(406)</i> |
| Total comprehensive income | | 2,719 | 4,826 | 7,970 |

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1b for more information. ² Mainly reflects net unrealized losses on US dollar hedging derivatives resulting from significant increases in the relevant US dollar long-term interest rates.

Balance sheet

| USD m | Note | 31.12.22 | 31.12.21 |
|---|------------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | | 169,445 | 192,817 |
| Loans and advances to banks | 9 | 14,671 | 15,360 |
| Receivables from securities financing transactions measured at amortized cost | 9, 21 | 67,814 | 75,012 |
| Cash collateral receivables on derivative instruments | 9, 21 | 35,033 | 30,514 |
| Loans and advances to customers | 9 | 390,027 | 398,693 |
| Other financial assets measured at amortized cost | 9, 13a | 53,389 | 26,236 |
| Total financial assets measured at amortized cost | | 730,379 | 738,632 |
| Financial assets at fair value held for trading | 20 | 108,034 | 131,033 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | | <i>36,742</i> | <i>43,397</i> |
| Derivative financial instruments | 10, 20, 21 | 150,109 | 118,145 |
| Brokerage receivables | 20 | 17,576 | 21,839 |
| Financial assets at fair value not held for trading | 20 | 59,408 | 59,642 |
| Total financial assets measured at fair value through profit or loss | | 335,127 | 330,659 |
| Financial assets measured at fair value through other comprehensive income | 19, 20 | 2,239 | 8,844 |
| Investments in associates | 28b | 1,101 | 1,243 |
| Property, equipment and software | 11 | 11,316 | 11,712 |
| Goodwill and intangible assets | 12 | 6,267 | 6,378 |
| Deferred tax assets | 8 | 9,354 | 8,839 |
| Other non-financial assets | 13b | 9,652 | 9,836 |
| Total assets | | 1,105,436 | 1,116,145 |
| Liabilities | | | |
| Amounts due to banks | | 11,596 | 13,101 |
| Payables from securities financing transactions measured at amortized cost | 21 | 4,202 | 5,533 |
| Cash collateral payables on derivative instruments | 21 | 36,436 | 31,801 |
| Customer deposits | 14 | 527,171 | 544,834 |
| Funding from UBS Group AG measured at amortized cost | 14b | 56,147 | 57,295 |
| Debt issued measured at amortized cost | 16 | 59,499 | 82,432 |
| Other financial liabilities measured at amortized cost | 18a | 10,391 | 9,765 |
| Total financial liabilities measured at amortized cost | | 705,442 | 744,762 |
| Financial liabilities at fair value held for trading | 20 | 29,515 | 31,688 |
| Derivative financial instruments | 10, 20, 21 | 154,906 | 121,309 |
| Brokerage payables designated at fair value | 20 | 45,085 | 44,045 |
| Debt issued designated at fair value | 15, 20 | 71,842 | 71,460 |
| Other financial liabilities designated at fair value | 18b, 20 | 32,033 | 32,414 |
| Total financial liabilities measured at fair value through profit or loss | | 333,382 | 300,916 |
| Provisions | 17a | 3,183 | 3,452 |
| Other non-financial liabilities | 18c | 6,489 | 8,572 |
| Total liabilities | | 1,048,496 | 1,057,702 |
| Equity | | | |
| Share capital | | 338 | 338 |
| Share premium | | 24,648 | 24,653 |
| Retained earnings | | 31,746 | 27,912 |
| Other comprehensive income recognized directly in equity, net of tax | | (133) | 5,200 |
| Equity attributable to shareholders | | 56,598 | 58,102 |
| Equity attributable to non-controlling interests | | 342 | 340 |
| Total equity | | 56,940 | 58,442 |
| Total liabilities and equity | | 1,105,436 | 1,116,145 |

Statement of changes in equity

| <i>USD m</i> | Share capital | Share premium | Retained earnings |
|--|---------------|-------------------|-------------------|
| Balance as of 31 December 2019 | 338 | 24,659 | 23,419 |
| Premium on shares issued and warrants exercised | | (4) ² | |
| Tax (expense) / benefit | | 1 | |
| Dividends | | | (3,848) |
| Translation effects recognized directly in retained earnings | | | (49) |
| Share of changes in retained earnings of associates and joint ventures | | | (40) |
| New consolidations / (deconsolidations) and other increases / (decreases) ³ | | (76) | |
| Total comprehensive income for the year | | | 5,769 |
| <i>of which: net profit / (loss)</i> | | | <i>6,196</i> |
| <i>of which: OCI, net of tax</i> | | | <i>(427)</i> |
| Balance as of 31 December 2020 | 338 | 24,580 | 25,251 |
| Premium on shares issued and warrants exercised | | (7) ² | |
| Tax (expense) / benefit | | (102) | |
| Dividends | | | (4,539) |
| Translation effects recognized directly in retained earnings | | | 18 |
| Share of changes in retained earnings of associates and joint ventures | | | 1 |
| New consolidations / (deconsolidations) and other increases / (decreases) ⁴ | | 182 | |
| Total comprehensive income for the year | | | 7,180 |
| <i>of which: net profit / (loss)</i> | | | <i>7,032</i> |
| <i>of which: OCI, net of tax</i> | | | <i>148</i> |
| Balance as of 31 December 2021 | 338 | 24,653 | 27,912 |
| Premium on shares issued and warrants exercised | | (14) ² | |
| Tax (expense) / benefit | | 5 | |
| Dividends | | | (4,200) |
| Translation effects recognized directly in retained earnings | | | 69 |
| Share of changes in retained earnings of associates and joint ventures | | | 0 |
| New consolidations / (deconsolidations) and other increases / (decreases) | | 4 | 3 |
| Total comprehensive income for the year | | | 7,961 |
| <i>of which: net profit / (loss)</i> | | | <i>7,084</i> |
| <i>of which: OCI, net of tax</i> | | | <i>877</i> |
| Balance as of 31 December 2022 | 338 | 24,648 | 31,746 |

¹ Excludes other comprehensive income related to defined benefit plans and own credit, which is recorded directly in Retained earnings. ² Includes decreases related to recharges by UBS Group AG for share-based compensation awards granted to employees of UBS AG or its subsidiaries. ³ Mainly relates to the establishment of a banking partnership with Banco do Brasil. In 2020, UBS AG issued a 49.99% stake in UBS Brasil Serviços in exchange for exclusive access to Banco do Brasil's corporate clients. Upon completion of the transaction in 2020, equity attributable to non-controlling interests increased by USD 115m, with no material effect on equity attributable to shareholders. ⁴ Includes the effects related to the launch of UBS AG's new operational partnership entity with Sumitomo Mitsui Trust Holdings, Inc in 2021.

| Other comprehensive income recognized directly in equity, net of tax ¹ | <i>of which: foreign currency translation</i> | <i>of which: financial assets at fair value through OCI</i> | <i>of which: cash flow hedges</i> | Total equity attributable to shareholders | Non-controlling interests | Total equity |
|---|---|---|-----------------------------------|---|---------------------------|---------------|
| 5,306 | 4,032 | 14 | 1,260 | 53,722 | 174 | 53,896 |
| | | | | (4) | | (4) |
| | | | | 1 | | 1 |
| | | | | (3,848) | (6) | (3,854) |
| 49 | | 0 | 49 | 0 | | 0 |
| | | | | (40) | | (40) |
| 65 | 65 | | | (12) | 115 | 103 |
| 2,165 | 1,030 | 136 | 1,011 | 7,934 | 36 | 7,970 |
| | | | | 6,196 | 15 | 6,211 |
| 2,165 | 1,030 | 136 | 1,011 | 1,738 | 21 | 1,759 |
| 7,585 | 5,126 | 151 | 2,321 | 57,754 | 319 | 58,073 |
| | | | | (7) | | (7) |
| | | | | (102) | | (102) |
| | | | | (4,539) | (4) | (4,542) |
| (18) | | 0 | (18) | 0 | | 0 |
| | | | | 1 | | 1 |
| | | | | 182 | 12 | 193 |
| (2,368) | (510) | (157) | (1,675) | 4,813 | 13 | 4,826 |
| | | | | 7,032 | 29 | 7,061 |
| (2,368) | (510) | (157) | (1,675) | (2,220) | (16) | (2,235) |
| 5,200 | 4,617 | (7) | 628 | 58,102 | 340 | 58,442 |
| | | | | (14) | | (14) |
| | | | | 5 | | 5 |
| | | | | (4,200) | (9) | (4,209) |
| (69) | | 0 | (69) | 0 | | 0 |
| | | | | 0 | | 0 |
| (3) | | (3) | | 4 | (7) | (3) |
| (5,260) | (519) | 6 | (4,793) | 2,701 | 18 | 2,719 |
| | | | | 7,084 | 32 | 7,116 |
| (5,260) | (519) | 6 | (4,793) | (4,383) | (14) | (4,396) |
| (133) | 4,098 | (4) | (4,234) | 56,598 | 342 | 56,940 |

Share information and earnings per share

Ordinary share capital

As of 31 December 2022, UBS AG had 3,858,408,466 issued shares (31 December 2021: 3,858,408,466 shares) with a nominal value of CHF 0.10 each, leading to a share capital of CHF 385,840,846.60. The shares were entirely held by UBS Group AG.

Following revisions to Swiss Corporate Law that are effective from 1 January 2023, the Board of Directors (the BoD) will propose at the 2023 Annual General Meeting (the AGM) that the shareholders approve the conversion of the share capital currency of UBS AG from the Swiss franc to the US dollar. This would align the share capital currency with the financial statement presentation currency of UBS AG. If the change is approved, the share capital of UBS AG will be slightly reduced to a nominal value per share of USD 0.10 (from CHF 0.10 currently), with the amount of the reduction allocated to the capital contribution reserve (presented as *Share premium* in the consolidated financial statements). Total equity reported for UBS AG consolidated will not change.

Conditional share capital

As of 31 December 2022, the following conditional share capital was available to UBS AG's BoD:

- A maximum of CHF 38,000,000 represented by up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each, to be issued through the voluntary or mandatory exercise of conversion rights and / or warrants granted in connection with the issuance of bonds or similar financial instruments on national or international capital markets. This conditional capital allowance was approved at the AGM of UBS AG on 14 April 2010. The BoD has not made use of such allowance.

Authorized share capital

UBS AG had no authorized capital available to issue on 31 December 2022.

Earnings per share

In 2015, UBS AG shares were delisted from the SIX Swiss Exchange and the New York Stock Exchange. As of 31 December 2022, 100% of UBS AG's issued shares were held by UBS Group AG and therefore were not publicly traded. Accordingly, earnings per share information is not provided for UBS AG.

Statement of cash flows

| USD m | For the year ended | | |
|---|--------------------|----------------|----------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Cash flow from / (used in) operating activities | | | |
| Net profit / (loss) | 7,116 | 7,061 | 6,211 |
| Non-cash items included in net profit and other adjustments: | | | |
| Depreciation, amortization and impairment of non-financial assets | 1,845 | 1,875 | 1,909 |
| Credit loss expense / (release) | 29 | (148) | 695 |
| Share of net profits of associates and joint ventures and impairment related to associates | (32) | (105) | (84) |
| Deferred tax expense / (benefit) | 491 | 432 | 355 |
| Net loss / (gain) from investing activities | (1,515) | (230) | (698) |
| Net loss / (gain) from financing activities | (16,587) | 100 | 3,246 |
| Other net adjustments | 5,792 | 3,790 | (8,061) |
| Net change in operating assets and liabilities: | | | |
| Loans and advances to banks and amounts due to banks | (1,088) | 2,148 | 3,586 |
| Securities financing transactions measured at amortized cost | 4,444 | (2,316) | 9,588 |
| Cash collateral on derivative instruments | 73 | (3,311) | (3,486) |
| Loans and advances to customers and customer deposits | (7,756) | 2,406 | 18,934 |
| Financial assets and liabilities at fair value held for trading and derivative financial instruments | 8,173 | (10,635) | 11,326 |
| Brokerage receivables and payables | 6,019 | 8,115 | (5,199) |
| Financial assets at fair value not held for trading and other financial assets and liabilities | 5,557 | 19,793 | 392 |
| Provisions and other non-financial assets and liabilities | (437) | 2,617 | (1,213) |
| Income taxes paid, net of refunds | (1,495) | (1,026) | (919) |
| Net cash flow from / (used in) operating activities | 10,630 | 30,563 | 36,581 |
| Cash flow from / (used in) investing activities | | | |
| Purchase of subsidiaries, associates and intangible assets | (3) | (1) | (46) |
| Disposal of subsidiaries, associates and intangible assets | 1,729 ¹ | 593 | 674 |
| Purchase of property, equipment and software | (1,478) | (1,581) | (1,573) |
| Disposal of property, equipment and software | 161 | 295 | 364 |
| Purchase of financial assets measured at fair value through other comprehensive income | (4,783) | (5,802) | (6,290) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 4,084 | 5,052 | 4,530 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (11,993) | (415) | (4,166) |
| Net cash flow from / (used in) investing activities | (12,283) | (1,860) | (6,506) |

Table continues below.

Statement of cash flows (continued)

Table continued from above.

| USD m | For the year ended | | |
|---|--------------------|----------------|----------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Cash flow from / (used in) financing activities | | | |
| Net short-term debt issued / (repaid) | (12,249) | (3,093) | 23,845 |
| Distributions paid on UBS AG shares | (4,200) | (4,539) | (3,848) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost ² | 79,457 | 98,619 | 80,153 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost ² | (67,670) | (79,799) | (87,099) |
| Net cash flows from other financing activities | (595) | (261) | (553) |
| Net cash flow from / (used in) financing activities | (5,257) | 10,927 | 12,498 |
| Total cash flow | | | |
| Cash and cash equivalents at the beginning of the year | 207,755 | 173,430 | 119,804 |
| Net cash flow from / (used in) operating, investing and financing activities | (6,911) | 39,630 | 42,573 |
| Effects of exchange rate differences on cash and cash equivalents | (5,645) | (5,306) | 11,053 |
| Cash and cash equivalents at the end of the year³ | 195,200 | 207,755 | 173,430 |
| <i>of which: cash and balances at central banks⁴</i> | <i>169,363</i> | <i>192,706</i> | <i>158,088</i> |
| <i>of which: loans and advances to banks</i> | <i>13,329</i> | <i>13,822</i> | <i>13,928</i> |
| <i>of which: money market paper⁵</i> | <i>12,508</i> | <i>1,227</i> | <i>1,415</i> |

Additional information

Net cash flow from / (used in) operating activities includes:

| | | | |
|--|--------|--------|--------|
| Interest received in cash | 15,730 | 11,170 | 11,929 |
| Interest paid in cash | 8,315 | 4,802 | 6,414 |
| Dividends on equity investments, investment funds and associates received in cash ⁶ | 1,907 | 2,531 | 1,901 |

1 Includes cash proceeds from the sales of: UBS AG's shareholding in Mitsubishi Corp.-UBS Realty Inc.; UBS AG's wholly owned subsidiary UBS Swiss Financial Advisers AG; UBS AG's US alternative investments administration business; and UBS AG's domestic wealth management business in Spain. Refer to Note 29 for more information. Also includes dividends received from associates. 2 Includes funding from UBS Group AG measured at amortized cost (recognized in Funding from UBS Group AG measured at amortized cost in the balance sheet) and measured at fair value (recognized in Other financial liabilities designated at fair value in the balance sheet). 3 USD 4,253m, USD 3,408m and USD 3,828m of cash and cash equivalents (mainly reflected in Loans and advances to banks) were restricted as of 31 December 2022, 31 December 2021 and 31 December 2020, respectively. Refer to Note 22 for more information. 4 Includes only balances with an original maturity of three months or less. 5 Money market paper is included in the balance sheet under Financial assets at fair value held for trading (31 December 2022: USD 2m; 31 December 2021: USD 20m; 31 December 2020: USD 117m), Financial assets measured at fair value through other comprehensive income (31 December 2022: USD 0m; 31 December 2021: USD 0m; 31 December 2020: USD 178m), Financial assets at fair value not held for trading (31 December 2022: USD 6,048m; 31 December 2021: USD 1,066m; 31 December 2020: USD 536m), and Other financial assets measured at amortized cost (31 December 2022: USD 6,459m; 31 December 2021: USD 141m; 31 December 2020: USD 584m). 6 Includes dividends received from associates reported within Net cash flow from / (used in) investing activities.

Changes in liabilities arising from financing activities

| USD m | Debt issued measured at amortized cost | of which: short-term ¹ | of which: long-term ² | Debt issued designated at fair value | Over-the-counter debt instruments ³ | Funding from UBS Group AG ⁴ | Total |
|---|--|-----------------------------------|----------------------------------|--------------------------------------|--|--|----------------|
| Balance as of 1 January 2021 | 85,351 | 46,666 | 38,685 | 59,868 | 2,060 | 55,354 | 202,633 |
| Cash flows | (550) | (3,093) | 2,543 | 9,075 | 126 | 7,076 | 15,727 |
| Non-cash changes | (2,369) | (475) | (1,894) | 2,516 | (58) | (2,795) | (2,705) |
| <i>of which: foreign currency translation</i> | <i>(1,841)</i> | <i>(475)</i> | <i>(1,366)</i> | <i>(1,611)</i> | <i>(65)</i> | <i>(1,340)</i> | <i>(4,857)</i> |
| <i>of which: fair value changes</i> | | | | 4,127 | 7 | (30) | 4,104 |
| <i>of which: hedge accounting and other effects</i> | <i>(528)</i> | | <i>(528)</i> | | | <i>(1,425)</i> | <i>(1,953)</i> |
| Balance as of 31 December 2021 | 82,432 | 43,098 | 39,334 | 71,460 | 2,128 | 59,635 | 215,655 |
| Cash flows | (19,390) | (12,249) | (7,141) | 13,277 | (251) | 5,903 | (461) |
| Non-cash changes | (3,543) | (1,173) | (2,370) | (12,895) | (193) | (7,595) | (24,225) |
| <i>of which: foreign currency translation</i> | <i>(2,233)</i> | <i>(1,173)</i> | <i>(1,061)</i> | <i>(1,405)</i> | <i>(113)</i> | <i>(1,285)</i> | <i>(5,036)</i> |
| <i>of which: fair value changes</i> | | | | (11,490) | (80) | (1,060) | (12,629) |
| <i>of which: hedge accounting and other effects</i> | <i>(1,310)</i> | | <i>(1,310)</i> | | | <i>(5,250)</i> | <i>(6,560)</i> |
| Balance as of 31 December 2022 | 59,499 | 29,676 | 29,823 | 71,842 | 1,684 | 57,943 | 190,968 |

1 Debt with an original contractual maturity of less than one year. 2 Debt with an original maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. 3 Included in balance sheet line Other financial liabilities designated at fair value. 4 Includes funding from UBS Group AG measured at amortized cost (refer to Note 14b) and measured at fair value (refer to Note 18b).

Notes to the UBS AG consolidated financial statements

Note 1 Summary of material accounting policies

The following table provides an overview of information included in this Note.

| | | | |
|------------|---|------------|---|
| 380 | a) Material accounting policies | 391 | 4) Share-based and other deferred compensation plans |
| 380 | Basis of accounting | 392 | 5) Post-employment benefit plans |
| 380 | 1) Consolidation | 392 | 6) Income taxes |
| 380 | 2) Financial instruments | 393 | 7) Property, equipment and software |
| 380 | a. Recognition | 393 | 8) Goodwill |
| 381 | b. Classification, measurement and presentation | 393 | 9) Provisions and contingent liabilities |
| 385 | c. Loan commitments and financial guarantees | 394 | 10) Foreign currency translation |
| 385 | d. Interest income and expense | 394 | 11) Contracts on UBS Group AG shares |
| 385 | e. Derecognition | | |
| 385 | f. Fair value of financial instruments | 395 | b) Changes in accounting policies, comparability and other adjustments |
| 386 | g. Allowances and provisions for expected credit losses | | |
| 389 | h. Restructured and modified financial assets | 395 | c) International Financial Reporting Standards and Interpretations to be adopted in 2023 and later and other changes |
| 389 | i. Offsetting | | |
| 390 | j. Hedge accounting | | |
| 390 | 3) Fee and commission income and expenses | | |

Note 1 Summary of material accounting policies (continued)

a) Material accounting policies

This Note describes the material accounting policies applied in the preparation of the consolidated financial statements (the Financial Statements) of UBS AG and its subsidiaries (UBS AG). On 23 February 2023, the Financial Statements were authorized for issue by the Board of Directors (the BoD).

Basis of accounting

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (the IASB), and are presented in US dollars (USD).

Disclosures marked as audited in the "Risk, capital, liquidity and funding, and balance sheet" section of this report form an integral part of the Financial Statements. These disclosures relate to requirements under IFRS 7, *Financial Instruments: Disclosures*, and IAS 1, *Presentation of Financial Statements*, and are not repeated in this section.

The accounting policies described in this Note have been applied consistently in all years presented unless otherwise stated in Note 1b.

Critical accounting estimates and judgments

Preparation of these Financial Statements under IFRS requires management to apply judgment and make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure, of contingent assets and liabilities, and may involve significant uncertainty at the time they are made. Such estimates and assumptions are based on the best available information. UBS AG regularly reassesses such estimates and assumptions, which encompass historical experience, expectations of the future and other pertinent factors, to determine their continuing relevance based on current conditions, updating them as necessary. Changes in those estimates and assumptions may have a significant effect on the Financial Statements. Furthermore, actual results may differ significantly from UBS AG's estimates, which could result in significant losses to UBS AG, beyond what was anticipated or provided for.

The following areas contain estimation uncertainty or require critical judgment and have a significant effect on amounts recognized in the Financial Statements:

- expected credit loss measurement (refer to item 2g in this Note and to Note 19);
- fair value measurement (refer to item 2f in this Note and to Note 20);
- income taxes (refer to item 6 in this Note and to Note 8);
- provisions and contingent liabilities (refer to item 9 in this Note and to Note 17);
- post-employment benefit plans (refer to item 5 in this Note and to Note 26);
- goodwill (refer to item 8 in this Note and to Note 12); and
- consolidation of structured entities (refer to item 1 in this Note and to Note 28).

1) Consolidation

The Financial Statements include the financial statements of the UBS AG and its subsidiaries, presented as a single economic entity; intercompany transactions and balances have been eliminated. UBS AG consolidates all entities that it controls, including structured entities (SEs), which is the case when it has: (i) power over the relevant activities of the entity; (ii) exposure to an entity's variable returns; and (iii) the ability to use its power to affect its own returns.

Consideration is given to all facts and circumstances to determine whether UBS AG has power over another entity, i.e., the current ability to direct the relevant activities of an entity when decisions about those activities need to be made.

Subsidiaries, including SEs, are consolidated from the date when control is gained and deconsolidated from the date when control ceases. Control, or the lack thereof, is reassessed if facts and circumstances indicate that there is a change to one or more elements required to establish that control is present.

Business combinations are accounted for using the acquisition method. The amount of any non-controlling interest is measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

› Refer to Note 28 for more information

Critical accounting estimates and judgments

Each individual entity is assessed for consolidation in line with the aforementioned consolidation principles. The assessment of control can be complex and requires the use of significant judgment, in particular in determining whether UBS AG has power over the entity. As the nature and extent of UBS AG's involvement is unique for each entity, there is no uniform consolidation outcome by entity. Certain entities within a class may be consolidated while others may not. When carrying out the consolidation assessment, judgment is exercised considering all the relevant facts and circumstances, including the nature and activities of the investee, as well as the substance of voting and similar rights.

› Refer to Note 28 for more information

2) Financial instruments

a. Recognition

UBS AG recognizes financial instruments when it becomes a party to contractual provisions of an instrument. UBS AG applies settlement date accounting to all standard purchases and sales of non-derivative financial instruments.

Note 1 Summary of material accounting policies (continued)

In transactions where UBS AG acts as a transferee, to the extent the financial asset transfer does not qualify for derecognition by the transferor, UBS AG does not recognize the transferred instrument as its asset.

UBS AG also acts in a fiduciary capacity, which results in it holding or placing assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Unless these items meet the definition of an asset and the recognition criteria are satisfied, they are not recognized on UBS AG's balance sheet and the related income is excluded from the Financial Statements.

Client cash balances associated with derivatives clearing and execution services are not recognized on the balance sheet if, through contractual agreement, regulation or practice, UBS AG neither obtains benefits from nor controls such cash balances.

b. Classification, measurement and presentation

Financial assets

Where the contractual terms of a debt instrument result in cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, the debt instrument is classified as measured at amortized cost if it is held within a business model that has an objective of holding financial assets to collect contractual cash flows, or at fair value through other comprehensive income (FVOCI) if it is held within a business model with the objective being achieved by both collecting contractual cash flows and selling financial assets.

All other financial assets are measured at fair value through profit or loss (FVTPL), including those held for trading or those managed on a fair value basis, except for derivatives designated in a hedge relationship, in which case hedge accounting requirements apply (refer to item 2j in this Note for more information).

Business model assessment and contractual cash flow characteristics

UBS AG determines the nature of a business model by considering the way financial assets are managed to achieve a particular business objective.

In assessing whether contractual cash flows are SPPI, the UBS AG considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument. This assessment includes contractual cash flows that may vary due to environmental, social and governance (ESG) triggers.

Financial liabilities

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include *Debt issued measured at amortized cost* and *Funding from UBS Group AG measured at amortized cost*. The latter includes contingent capital instruments issued to UBS Group AG containing contractual provisions under which the principal amounts would be written down or converted into equity upon either a specified common equity tier 1 (CET1) ratio breach or a determination by the Swiss Financial Market Supervisory Authority (FINMA) that a viability event has occurred. Such contractual provisions are not derivatives, as the underlying is deemed to be a non-financial variable specific to a party to the contract.

If a debt were to be written down or converted into equity in a future period, it would be partially or fully derecognized, with the difference between its carrying amount and the fair value of any equity issued recognized in the income statement.

A gain or loss is recognized in *Other income* when debt issued is subsequently repurchased for market-making or other activities. A subsequent sale of own bonds in the market is treated as a reissuance of debt.

Financial liabilities measured at fair value through profit or loss

UBS AG designates certain issued debt instruments as financial liabilities at fair value through profit or loss, on the basis that such financial instruments include non-closely-related embedded derivatives that significantly impact the cash flows of the instrument and / or are managed on a fair value basis (refer to the table below for more information). Financial instruments including embedded derivatives arise predominantly from the issuance of certain structured debt instruments.

Measurement and presentation

After initial recognition, UBS AG classifies, measures and presents its financial assets and liabilities in accordance with IFRS 9, as described in the table below.

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial assets

| Financial assets classification | | Significant items included | Measurement and presentation |
|-----------------------------------|------------------------------------|--|---|
| Measured at amortized cost | | <p>This classification includes:</p> <ul style="list-style-type: none"> – cash and balances at central banks; – loans and advances to banks; – receivables from securities financing transactions; – cash collateral receivables on derivative instruments; – residential and commercial mortgages; – corporate loans; – secured loans, including Lombard loans, and unsecured loans; – loans to financial advisors; and – debt securities held as high-quality liquid assets (HQLA). | <p>Measured at amortized cost using the effective interest method less allowances for expected credit losses (ECL) (refer to items 2d and 2g in this Note for more information).</p> <p>The following items are recognized in the income statement:</p> <ul style="list-style-type: none"> – interest income, which is accounted for in accordance with item 2d in this Note; – ECL and reversals; and – foreign exchange (FX) translation gains and losses. <p>When a financial asset at amortized cost is derecognized, the gain or loss is recognized in the income statement.</p> <p>For amounts arising from settlement of certain derivatives, see below in this table.</p> |
| Measured at FVOCI | Debt instruments measured at FVOCI | <p>This classification primarily includes debt securities and certain asset-backed securities held as HQLA.</p> | <p>Measured at fair value, with unrealized gains and losses reported in <i>Other comprehensive income</i>, net of applicable income taxes, until such investments are derecognized. Upon derecognition, any accumulated balances in <i>Other comprehensive income</i> are reclassified to the income statement and reported within <i>Other income</i>.</p> <p>The following items, which are determined on the same basis as for financial assets measured at amortized cost, are recognized in the income statement:</p> <ul style="list-style-type: none"> – interest income, which is accounted for in accordance with item 2d in this Note; – ECL and reversals; and – FX translation gains and losses. |

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial assets

| Financial assets classification | Significant items included | Measurement and presentation | |
|---------------------------------|---------------------------------------|---|---|
| Measured at FVTPL | Held for trading | <p>Financial assets held for trading include:</p> <ul style="list-style-type: none"> – all derivatives with a positive replacement value, except those that are designated and effective hedging instruments; and – other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Included in this category are debt instruments (including those in the form of securities, money market paper, and traded corporate and bank loans) and equity instruments. | <p>Measured at fair value, with changes recognized in the income statement.</p> <p>Derivative assets (including derivatives that are designated and effective hedging instruments) are generally presented as <i>Derivative financial instruments</i>, except those exchange-traded derivatives (ETD) and over-the-counter (OTC)-cleared derivatives that are legally settled on a daily basis or economically net settled on a daily basis, which are presented within <i>Cash collateral receivables on derivative instruments</i>.</p> |
| | Mandatorily measured at FVTPL – Other | <p>This classification includes financial assets mandatorily measured at FVTPL that are not held for trading, as follows:</p> <ul style="list-style-type: none"> – certain structured loans, certain commercial loans, and receivables from securities financing transactions that are managed on a fair value basis; – loans managed on a fair value basis, including those hedged with credit derivatives; – certain debt securities held as HQLA and managed on a fair value basis; – certain investment fund holdings and assets held to hedge delivery obligations related to cash-settled employee compensation plans; – brokerage receivables, for which contractual cash flows do not meet the SPPI criterion because the aggregate balance is accounted for as a single unit of account, with interest being calculated on the individual components; – auction rate securities, for which contractual cash flows do not meet the SPPI criterion because interest may be reset at rates that contain leverage; – equity instruments; and – assets held under unit-linked investment contracts. | <p>Changes in fair value, initial transaction costs, dividends and gains and losses arising on disposal or redemption are recognized in <i>Other net income from financial instruments measured at fair value through profit or loss</i>, except interest income on instruments other than derivatives (refer to item 2d in this Note), interest on derivatives designated as hedging instruments in hedges of interest rate risk and forward points on certain short- and long-duration FX contracts acting as economic hedges, which are reported in <i>Net interest income</i>.</p> <p>Changes in the fair value of derivatives that are designated and effective hedging instruments are presented either in the income statement or <i>Other comprehensive income</i>, depending on the type of hedge relationship (refer to item 2j in this Note for more information).</p> |

Note 1 Summary of material accounting policies (continued)

Classification, measurement and presentation of financial liabilities

| Financial liabilities classification | Significant items included | Measurement and presentation | |
|--------------------------------------|--|---|--|
| Measured at amortized cost | <p>This classification includes:</p> <ul style="list-style-type: none"> – demand and time deposits; – retail savings / deposits; – sweep deposits; – payables from securities financing transactions; – non-structured debt issued; – subordinated debt; – commercial paper and certificates of deposit; – obligations against funding from UBS Group AG; and – cash collateral payables on derivative instruments. | <p>Measured at amortized cost using the effective interest method.</p> <p>When a financial liability at amortized cost is derecognized, the gain or loss is recognized in the income statement.</p> <p>Interest Income generated from client deposits derecognized pursuant to certain deposit sweep programs is presented within <i>Net interest income from financial instruments measured at fair value through profit or loss and other</i>.</p> | |
| Measured at FVTPL | Held for trading | <p>Financial liabilities held for trading include:</p> <ul style="list-style-type: none"> – all derivatives with a negative replacement value (including certain loan commitments), except those that are designated and effective hedging instruments; and – obligations to deliver financial instruments, such as debt and equity instruments, that UBS AG has sold to third parties but does not own (short positions). | <p>Measurement and presentation of financial liabilities classified at FVTPL follow the same principles as for financial assets classified at FVTPL, except that the amount of change in the fair value of a financial liability designated at FVTPL that is attributable to changes in UBS AG's own credit risk is presented in <i>Other comprehensive income</i> directly within <i>Retained earnings</i> and is never reclassified to the income statement.</p> |
| | Designated at FVTPL | <p>UBS AG designates at FVTPL the following financial liabilities:</p> <ul style="list-style-type: none"> – issued hybrid debt instruments that primarily include equity-linked, credit-linked and rates-linked bonds or notes; – issued debt instruments managed on a fair value basis; – obligations against funding from UBS Group AG managed on a fair value basis; – certain payables from securities financing transactions; – amounts due under unit-linked investment contracts, the cash flows of which are linked to financial assets measured at FVTPL and eliminate an accounting mismatch; and – brokerage payables, which arise in conjunction with brokerage receivables and are measured at FVTPL to achieve measurement consistency. | <p>Derivative liabilities (including derivatives that are designated and effective hedging instruments) are generally presented as <i>Derivative financial instruments</i>, except those exchange-traded and OTC-cleared derivatives that are legally settled on a daily basis or economically net settled on a daily basis, which are presented within <i>Cash collateral payables on derivative instruments</i>.</p> |

Note 1 Summary of material accounting policies (continued)

c. Loan commitments and financial guarantees

Loan commitments are arrangements to provide credit under defined terms and conditions. Irrevocable loan commitments are classified as: (i) derivative loan commitments measured at fair value through profit or loss; (ii) loan commitments designated at fair value through profit or loss; or (iii) loan commitments not measured at fair value. Financial guarantee contracts are contracts that require UBS AG to make specified payments to reimburse the holder for an incurred loss because a specified debtor fails to make payments when due in accordance with the terms of a specified debt instrument.

d. Interest income and expense

Interest income and expense are recognized in the income statement based on the effective interest method. When calculating the effective interest rate (the EIR) for financial instruments (other than credit-impaired financial instruments), UBS AG estimates future cash flows considering all contractual terms of the instrument, but not expected credit losses, with the EIR applied to the gross carrying amount of the financial asset or the amortized cost of a financial liability. However, when a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying the EIR to the amortized cost of the instrument, which represents the gross carrying amount adjusted for any credit loss allowance.

Upfront fees, including fees on loan commitments not measured at fair value where a loan is expected to be issued, and direct costs are included within the initial measurement of a financial instrument measured at amortized cost or FVOCI and recognized over the expected life of the instrument as part of its EIR.

Fees related to loan commitments where no loan is expected to be issued, as well as loan syndication fees where UBS AG does not retain a portion of the syndicated loan or where UBS AG does retain a portion of the syndicated loan at the same effective yield for comparable risk as other participants, are included in *Net fee and commission income* and either recognized over the life of the commitment or when syndication occurs.

› Refer to item 3 in this Note for more information

Interest income on financial assets, excluding derivatives, is included in interest income when positive and in interest expense when negative. Similarly, interest expense on financial liabilities, excluding derivatives, is included in interest expense, except when interest rates are negative, in which case it is included in interest income.

› Refer to item 2b in this Note and Note 3 for more information

e. Derecognition

Financial assets

UBS AG derecognizes a transferred financial asset, or a portion of a financial asset, if the purchaser has received substantially all the risks and rewards of the asset or a significant part of the risks and rewards combined with a practical ability to sell or pledge the asset.

Where financial assets have been pledged as collateral or in similar arrangements, they are considered to have been transferred if the counterparty has received the contractual rights to the cash flows of the pledged assets, as may be evidenced by, for example, the counterparty's right to sell or repledge the assets. In transfers where control over the financial asset is retained, UBS AG continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset following the transfer.

› Refer to Note 22 for more information

Financial liabilities

UBS AG derecognizes a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, canceled or expires. When an existing financial liability is exchanged for a new one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the original liability is derecognized and a new liability recognized with any difference in the respective carrying amounts recorded in the income statement.

Certain OTC derivative contracts and most exchange-traded futures and option contracts cleared through central clearing counterparties and exchanges are considered to be settled on a daily basis, as the payment or receipt of variation margin on a daily basis represents legal or economic settlement, which results in derecognition of the associated derivatives.

› Refer to Note 21 for more information

f. Fair value of financial instruments

UBS AG accounts for a significant portion of its assets and liabilities at fair value. Fair value is the price on the measurement date that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market, or in the most advantageous market in the absence of a principal market.

› Refer to Note 20 for more information

Note 1 Summary of material accounting policies (continued)

Critical accounting estimates and judgments

The use of valuation techniques, modeling assumptions and estimates of unobservable market inputs in the fair valuation of financial instruments requires significant judgment and could affect the amount of gain or loss recorded for a particular position. Valuation techniques that rely more heavily on unobservable inputs and sophisticated models inherently require a higher level of judgment and may require adjustment to reflect factors that market participants would consider in estimating fair value, such as close-out costs, which are presented in Note 20d.

UBS AG's governance framework over fair value measurement is described in Note 20b, and UBS AG provides a sensitivity analysis of the estimated effects arising from changing significant unobservable inputs in Level 3 financial instruments to reasonably possible alternative assumptions in Note 20f.

› Refer to Note 20 for more information

g. Allowances and provisions for expected credit losses

ECL are recognized for financial assets measured at amortized cost, financial assets measured at FVOCI, fee and lease receivables, financial guarantees, and loan commitments not measured at fair value. ECL are also recognized on the undrawn portion of committed unconditionally revocable credit lines, which include UBS AG's credit card limits and master credit facilities, as UBS AG is exposed to credit risk because the borrower has the ability to draw down funds before UBS AG can take credit risk mitigation actions.

Recognition of expected credit losses

ECL are recognized on the following basis.

- Stage 1 instruments: Maximum 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.
- Stage 2 instruments: Lifetime ECL are recognized if a significant increase in credit risk (an SICR) is observed subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. When an SICR is no longer observed, the instrument will move back to stage 1.
- Stage 3 instruments: Lifetime ECL are always recognized for credit-impaired financial instruments, as determined by the occurrence of one or more loss events, by estimating expected cash flows based on a chosen recovery strategy. Credit-impaired exposures may include positions for which no allowance has been recognized, for example because they are expected to be fully recoverable through collateral held.
- Changes in lifetime ECL since initial recognition are also recognized for assets that are purchased or originated credit-impaired (POCI). POCI financial instruments include those that are purchased at a deep discount or newly originated with a defaulted counterparty; they remain a separate category until derecognition.

All or part of a financial asset is written off if it is deemed uncollectible or forgiven. Write-offs reduce the principal amount of a claim and are charged against related allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to *Credit loss expense / (release)*.

ECL are recognized in the income statement in *Credit loss expense / (release)*. A corresponding ECL allowance is reported as a decrease in the carrying amount of financial assets measured at amortized cost on the balance sheet. For financial assets that are measured at FVOCI, the carrying amount is not reduced, but an accumulated amount is recognized in *Other comprehensive income*. For off-balance sheet financial instruments and other credit lines, provisions for ECL are presented in *Provisions*.

Default and credit impairment

UBS AG applies a single definition of default for credit risk management purposes, regulatory reporting and ECL, with a counterparty classified as defaulted based on quantitative and qualitative criteria.

› Refer to "Credit policies for distressed assets" in the "Risk management and control" section of this report for more information

Measurement of expected credit losses

IFRS 9 ECL reflect an unbiased, probability-weighted estimate based on loss expectations resulting from default events. The method used to calculate ECL applies the following principal factors: probability of default (PD), loss given default (LGD) and exposure at default (EAD). Parameters are generally determined on an individual financial asset level. Based on the materiality of the portfolio, for credit card exposures and personal account overdrafts in Switzerland, a portfolio approach is applied that derives an average PD and LGD for the entire portfolio. PDs and LGDs used in the ECL calculation are point-in-time (PIT)-based for key portfolios and consider both current conditions and expected cyclical changes. For material portfolios, PDs and LGDs are determined for different scenarios, whereas EAD projections are treated as scenario independent.

For the purpose of determining the ECL-relevant parameters, UBS AG leverages its Basel III advanced internal ratings-based (A-IRB) models that are also used in determining expected loss (EL) and risk-weighted assets under the Basel III framework and Pillar 2 stress loss models. Adjustments have been made to these models and IFRS 9-related models have been developed that consider the complexity, structure and risk profile of relevant portfolios and take account of the fact that PDs and LGDs used in the ECL calculation are PIT-based, as opposed to the corresponding Basel III through-the-cycle (TTC) parameters. All models that are relevant for measuring expected credit losses are subject to UBS AG's model validation and oversight processes.

Note 1 Summary of material accounting policies (continued)

Probability of default: PD represents the probability of a default over a specified time period. A 12-month PD represents the probability of default determined for the next 12 months and a lifetime PD represents the probability of default over the remaining lifetime of the instrument. PIT PDs are derived from TTC PDs and scenario forecasts. The modeling is region, industry and client segment specific and considers both macroeconomic scenario dependencies and client-idiosyncratic information.

Exposure at default: EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring, considering expected repayments, interest payments and accruals, discounted at the EIR. Future drawdowns on facilities are considered through a credit conversion factor (a CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

Loss given default: LGD represents an estimate of the loss at the time of a potential default occurring, taking into account expected future cash flows from collateral and other credit enhancements, or expected payouts from bankruptcy proceedings for unsecured claims and, where applicable, time to realization of collateral and the seniority of claims. LGD is commonly expressed as a percentage of EAD.

Estimation of expected credit losses

Number of scenarios and estimation of scenario weights

Determination of probability-weighted ECL requires evaluating a range of diverse and relevant future economic conditions, especially with a view to modeling the non-linear effect of assumptions about macroeconomic factors on the estimate.

To accommodate this requirement, UBS AG uses different economic scenarios in the ECL calculation. Each scenario is represented by a specific scenario narrative, which is relevant considering the exposure of key portfolios to economic risks, and for which a set of consistent macroeconomic variables is determined. The estimation of the appropriate weights for these scenarios is predominantly judgment-based. The assessment is based on a holistic review of the prevailing economic or political conditions, which may exhibit different levels of uncertainty. It takes into account the impact of changes in the nature and severity of the underlying scenario narratives and the projected economic variables.

The determined weights constitute the probabilities that the respective set of macroeconomic conditions will occur and not that the chosen particular narratives with the related macroeconomic variables will materialize.

Macroeconomic and other factors

The range of macroeconomic, market and other factors that is modeled as part of the scenario determination is wide, and historical information is used to support the identification of the key factors. As the forecast horizon increases, the availability of information decreases, requiring an increase in judgment. For cycle-sensitive PD and LGD determination purposes, UBS AG projects the relevant economic factors for a period of three years before reverting, over a specified period, to cycle-neutral PD and LGD for longer-term projections.

Factors relevant for ECL calculation vary by type of exposure. Regional and client-segment characteristics are generally taken into account, with specific focus on Switzerland and the US, considering UBS AG's key ECL-relevant portfolios.

For UBS AG, the following forward-looking macroeconomic variables represent the most relevant factors for ECL calculation:

- GDP growth rates, given their significant effect on borrowers' performance;
- unemployment rates, given their significant effect on private clients' ability to meet contractual obligations;
- house price indices, given their significant effect on mortgage collateral valuations;
- interest rates, given their significant effect on counterparties' abilities to service debt;
- consumer price indices, given their overall relevance for companies' performance, private clients' purchasing power and economic stability; and
- equity indices, given that they are an important factor in our corporate rating tools.

Scenario generation, review process and governance

A team of economists, which is part of Group Risk Control, develop the forward-looking macroeconomic assumptions with involvement from a broad range of experts.

The scenarios, their weight and the key macroeconomic and other factors are subject to a critical assessment by the IFRS 9 Scenario Sounding Sessions and ECL Management Forum, which include senior management from Group Risk and Group Finance. Important aspects for the review include whether there may be particular credit risk concerns that may not be capable of being addressed systematically and require post-model adjustments for stage allocation and ECL allowance.

The Group Model Governance Committee (the GMGC), as the highest authority under UBS AG's model governance framework, ratifies the decisions taken by the ECL Management Forum.

› **Refer to Note 19 for more information**

Note 1 Summary of material accounting policies (continued)

ECL measurement period

The period for which lifetime ECL are determined is based on the maximum contractual period that UBS AG is exposed to credit risk, taking into account contractual extension, termination and prepayment options. For irrevocable loan commitments and financial guarantee contracts, the measurement period represents the maximum contractual period for which UBS AG has an obligation to extend credit.

Additionally, some financial instruments include both an on-demand loan and a revocable undrawn commitment, where the contractual cancellation right does not limit UBS AG's exposure to credit risk to the contractual notice period, as the client has the ability to draw down funds before UBS AG can take risk-mitigating actions. In such cases UBS AG is required to estimate the period over which it is exposed to credit risk. This applies to UBS AG's credit card limits, which do not have a defined contractual maturity date, are callable on demand and where the drawn and undrawn components are managed as one exposure. The exposure arising from UBS AG's credit card limits is not significant and is managed at a portfolio level, with credit actions triggered when balances are past due. An ECL measurement period of seven years is applied for credit card limits, capped at 12 months for stage 1 balances, as a proxy for the period that UBS AG is exposed to credit risk.

Customary master credit agreements in the Swiss corporate market also include on-demand loans and revocable undrawn commitments. For smaller commercial facilities, a risk-based monitoring (RbM) approach is in place that highlights negative trends as risk events, at an individual facility level, based on a combination of continuously updated risk indicators. The risk events trigger additional credit reviews by a risk officer, enabling informed credit decisions to be taken. Larger corporate facilities are not subject to RbM, but are reviewed at least annually through a formal credit review. UBS AG has assessed these credit risk management practices and considers both the RbM approach and formal credit reviews as substantive credit reviews resulting in a re-origination of the given facility. Following this, a 12-month measurement period from the reporting date is used for both types of facilities as an appropriate proxy of the period over which UBS AG is exposed to credit risk, with 12 months also used as a look-back period for assessing SICR, always from the respective reporting date.

Significant increase in credit risk

Financial instruments subject to ECL are monitored on an ongoing basis. To determine whether the recognition of a maximum 12-month ECL continues to be appropriate, an assessment is made as to whether an SICR has occurred since initial recognition of the financial instrument, applying both quantitative and qualitative factors.

Primarily, UBS AG assesses changes in an instrument's risk of default on a quantitative basis by comparing the annualized forward-looking and scenario-weighted lifetime PD of an instrument determined at two different dates:

- at the reporting date; and
- at inception of the instrument.

If, based on UBS AG's quantitative modeling, an increase exceeds a set threshold, an SICR is deemed to have occurred and the instrument is transferred to stage 2 with lifetime ECL recognized.

The threshold applied varies depending on the original credit quality of the borrower, with a higher SICR threshold set for those instruments with a low PD at inception. The SICR assessment based on PD changes is made at an individual financial asset level. A high-level overview of the SICR trigger, which is a multiple of the annualized remaining lifetime PIT PD expressed in rating downgrades, is provided in the "SICR thresholds" table below. The actual SICR thresholds applied are defined on a more granular level by interpolating between the values shown in the table.

SICR thresholds

| Internal rating at origination of the instrument | Rating downgrades / SICR trigger |
|---|---|
| 0–3 | 3 |
| 4–8 | 2 |
| 9–13 | 1 |

› Refer to the "Risk management and control" section of this report for more details about UBS AG's internal grading system

Irrespective of the SICR assessment based on default probabilities, credit risk is generally deemed to have significantly increased for an instrument if the contractual payments are more than 30 days past due. For certain less material portfolios, specifically the Swiss credit card portfolio, the 30-day past due criterion is used as the primary indicator of an SICR. Where instruments are transferred to stage 2 due to the 30-day past due criterion, a minimum period of six months is applied before a transfer back to stage 1 can be triggered. For instruments in Personal & Corporate Banking and Global Wealth Management Region Switzerland that are between 90 and 180 days past due but have not been reclassified to stage 3, a one-year period is applied before a transfer back to stage 1 can be triggered.

Note 1 Summary of material accounting policies (continued)

Additionally, based on individual counterparty-specific indicators, external market indicators of credit risk or general economic conditions, counterparties may be moved to a watch list, which is used as a secondary qualitative indicator for an SICR. Exception management is further applied, allowing for individual and collective adjustments on exposures sharing the same credit risk characteristics to take account of specific situations that are not otherwise fully reflected.

In general, the overall SICR determination process does not apply to Lombard loans, securities financing transactions and certain other asset-based lending transactions, because of the risk management practices adopted, including daily monitoring processes with strict margining. If margin calls are not satisfied, a position is closed out and classified as a stage 3 position. In exceptional cases, an individual adjustment and a transfer into stage 2 may be made to take account of specific facts.

Credit risk officers are responsible for the identification of an SICR, which for accounting purposes is in some respects different from internal credit risk management processes. This difference mainly arises because ECL accounting requirements are instrument-specific, such that a borrower can have multiple exposures allocated to different stages, and maturing loans in stage 2 will migrate to stage 1 upon renewal irrespective of the actual credit risk at that time. Under a risk-based approach, a holistic counterparty credit assessment and the absolute level of risk at any given date will determine what risk-mitigating actions may be warranted.

› Refer to the “Risk management and control” section of this report for more information

Critical accounting estimates and judgments

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that can result in significant changes to the timing and amount of ECL recognized.

Determination of a significant increase in credit risk

IFRS 9 does not include a definition of what constitutes an SICR, with UBS AG’s assessment considering qualitative and quantitative criteria. An IFRS 9 ECL Management Forum has been established to review and challenge the SICR results.

Scenarios, scenario weights and macroeconomic variables

ECL reflect an unbiased and probability-weighted amount, which UBS AG determines by evaluating a range of possible outcomes. Management selects forward-looking scenarios that include relevant macroeconomic variables and management’s assumptions around future economic conditions. IFRS 9 Scenario Sounding Sessions, in addition to the IFRS 9 ECL Management Forum, are in place to derive, review and challenge the scenario selection and weights, and to determine whether any additional post-model adjustments are required that may significantly affect ECL.

ECL measurement period

Lifetime ECL are generally determined based upon the contractual maturity of the transaction, which significantly affects ECL. For credit card limits and Swiss callable master credit facilities, judgment is required, as UBS AG must determine the period over which it is exposed to credit risk. A seven-year period is applied for credit card limits, capped at 12 months for stage 1 positions, and a 12-month period applied for master credit facilities.

Modeling and post-model adjustments

A number of complex models have been developed or modified to calculate ECL, with additional post-model adjustments required which may significantly affect ECL. The models are governed by UBS AG’s model validation controls and approved by the GMGC. The post-model adjustments are approved by the ECL Management Forum and endorsed by the GMGC.

A sensitivity analysis covering key macroeconomic variables, scenario weights and SICR trigger points on ECL measurement is provided in Note 19f.

› Refer to Note 19 for more information

h. Restructured and modified financial assets

When payment default is expected, or where default has already occurred, UBS AG may grant concessions to borrowers in financial difficulties that it would not consider in the normal course of its business, such as preferential interest rates, extension of maturity, modifying the schedule of repayments, debt / equity swap, subordination, etc.

› Refer to the “Risk management and control” section of this report for more information

Modifications result in an alteration of future contractual cash flows and can occur within UBS AG’s normal risk tolerance or as part of a credit restructuring where a counterparty is in financial difficulties. The restructuring or modification of a financial asset could lead to a substantial change in the terms and conditions, resulting in the original financial asset being derecognized and a new financial asset being recognized. Where the modification does not result in a derecognition, any difference between the modified contractual cash flows discounted at the original EIR and the existing gross carrying amount of the given financial asset is recognized in the income statement as a modification gain or loss.

i. Offsetting

UBS AG presents financial assets and liabilities on its balance sheet net if (i) it has a legally enforceable right to set off the recognized amounts and (ii) it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Netted positions include, for example, certain derivatives and repurchase and reverse repurchase transactions with various counterparties, exchanges and clearing houses.

Note 1 Summary of material accounting policies (continued)

In assessing whether UBS AG intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously, emphasis is placed on the effectiveness of operational settlement mechanics in eliminating substantially all credit and liquidity exposure between the counterparties. This condition precludes offsetting on the balance sheet for substantial amounts of UBS AG's financial assets and liabilities, even though they may be subject to enforceable netting arrangements. Repurchase arrangements and securities financing transactions are presented net only to the extent that the settlement mechanism eliminates, or results in insignificant, credit and liquidity risk, and processes the receivables and payables in a single settlement process or cycle.

› Refer to Note 21 for more information

j. Hedge accounting

UBS AG applies hedge accounting requirements of IFRS 9 where the criteria for documentation and hedge effectiveness are met. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Voluntary discontinuation of hedge accounting is not permitted under IFRS 9.

Fair value hedges of interest rate risk related to debt instruments and loan assets

The fair value change of the hedged item attributable to a hedged risk is reflected as an adjustment to the carrying amount of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument.

Fair value hedges of FX risk related to debt instruments

The fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and recognized in the income statement along with the change in the fair value of the hedging instrument. The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the designation and accounted for as a cost of hedging with amounts deferred in *Other comprehensive income* within *Equity*. These amounts are released to the income statement over the term of the hedged item.

Discontinuation of fair value hedges

Discontinuations for reasons other than derecognition of the hedged item result in an adjustment to the carrying amount, which is amortized to the income statement over the remaining life of the hedged item using the effective interest method. If the hedged item is derecognized, the unamortized fair value adjustment or deferred cost of hedging amount is recognized immediately in the income statement as part of any derecognition gain or loss.

Cash flow hedges of forecast transactions

Fair value gains or losses associated with the effective portion of derivatives designated as cash flow hedges for cash flow repricing risk are recognized initially in *Other comprehensive income* within *Equity* and reclassified to *Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income* or *Interest expense from financial instruments measured at amortized cost* in the periods when the hedged forecast cash flows affect profit or loss, including discontinued hedges for which forecast cash flows are expected to occur. If the forecast transactions are no longer expected to occur, the deferred gains or losses are immediately reclassified to the income statement.

Hedges of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of a hedge are recognized directly in *Other comprehensive income* within *Equity*, while any gains or losses relating to the ineffective and / or undesignated portion (for example, the interest element of a forward contract) are recognized in the income statement. Upon disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized in *Equity* associated with the entity is reclassified to *Other income*.

Interest Rate Benchmark Reform

UBS AG continues hedge accounting during the period of uncertainty before existing interest rate benchmarks are replaced with alternative risk-free interest rates. During this period, UBS AG assumes that the current benchmark rates will continue to exist, such that forecast transactions are considered highly probable and hedge relationships remain, with little or no consequential impact on the financial statements. Upon replacement of existing interest rate benchmarks by alternative risk-free interest rates, UBS AG applies the requirements of *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2)*, where applicable.

› Refer to Note 25 for more information

3) Fee and commission income and expenses

UBS AG earns fee income from the diverse range of services it provides to its clients. Fee income can be divided into two broad categories: fees earned from services that are provided over a certain period of time, such as management of clients' assets, custody services and certain advisory services; and fees earned from point-in-time services, such as underwriting fees, deal-contingent merger and acquisitions fees, and brokerage fees (e.g., securities and derivatives execution and clearing). UBS AG recognizes fees earned from PIT services when it has fully provided the service to the client. Where the contract requires services to be provided over time, income is recognized on a systematic basis over the life of the agreement.

Note 1 Summary of material accounting policies (continued)

Consideration received is allocated to the separately identifiable performance obligations in a contract. Owing to the nature of UBS AG's business, contracts that include multiple performance obligations are typically those that are considered to include a series of similar performance obligations fulfilled over time with the same pattern of transfer to the client, e.g., management of client assets and custodial services. As a consequence, UBS AG is not required to apply significant judgment in allocating the consideration received across the various performance obligations.

PIT services are generally for a fixed price or dependent on deal size, e.g., a fixed number of basis points of trade size, where the amount of revenue is known when the performance obligation is met. Fixed-over-time fees are recognized on a straight-line basis over the performance period. Custodial and asset management fees can be variable through reference to the size of the customer portfolio. However, they are generally billed on a monthly or quarterly basis once the customer's portfolio size is known or known with near certainty and therefore also recognized ratably over the performance period. UBS AG does not recognize performance fees related to management of clients' assets or fees related to contingencies beyond UBS AG's control until such uncertainties are resolved.

UBS AG's fees are generally earned from short-term contracts. As a result, UBS AG's contracts do not include a financing component or result in the recognition of significant receivables or prepayment assets. Furthermore, due to the short-term nature of such contracts, UBS AG has not capitalized any material costs to obtain or fulfill a contract or generated any significant contract assets or liabilities.

UBS AG presents expenses primarily in line with their nature in the income statement, differentiating between expenses that are directly attributable to the satisfaction of specific performance obligations associated with the generation of revenues, which are generally presented within *Total revenues* as *Fee and commission expense*, and those that are related to personnel, general and administrative expenses, which are presented within *Operating expenses*. For derivatives execution and clearing services (where UBS AG acts as an agent), UBS AG only records its specific fees in the income statement, with fees payable to other parties not recognized as an expense but instead directly offset against the associated income collected from the given client.

› Refer to Note 4 for more information, including the disaggregation of revenues

4) Share-based and other deferred compensation plans

UBS AG recognizes expenses for deferred compensation awards over the period that the employee is required to provide service to become entitled to the award. Where the service period is shortened, for example in the case of employees affected by restructuring programs or mutually agreed termination provisions, recognition of such expense is accelerated to the termination date. Where no future service is required, such as for employees who are eligible for retirement or who have met certain age and length-of-service criteria, the services are presumed to have been received and compensation expense is recognized over the performance year or, in the case of off-cycle awards, immediately on the grant date.

Share-based compensation plans

UBS Group AG is the grantor of and maintains the obligation to settle share-based compensation plans that are awarded to employees of UBS AG. As a consequence, UBS AG classifies the awards of UBS Group AG shares as equity-settled share-based payment transactions. UBS AG recognizes the fair value of awards granted to its employees by reference to the fair value of UBS Group AG's equity instruments on the date of grant, taking into account the terms and conditions inherent in the award, including, where relevant, dividend rights, transfer restrictions in effect beyond the vesting date, market conditions, and non-vesting conditions.

For equity-settled awards, fair value is not remeasured unless the terms of the award are modified such that there is an incremental increase in value. Expenses are recognized, on a per-tranche basis, over the service period based on an estimate of the number of instruments expected to vest and are adjusted to reflect the actual outcomes of service or performance conditions.

For equity-settled awards, forfeiture events resulting from a breach of a non-vesting condition (i.e., one that does not relate to a service or performance condition) do not result in any adjustment to the share-based compensation expense.

For cash-settled share-based awards, fair value is remeasured at each reporting date, so that the cumulative expense recognized equals the cash distributed.

Other deferred compensation plans

Compensation expense for other deferred compensation plans is recognized on a per-tranche or straight-line basis, depending on the nature of the plan. The amount recognized is measured based on the present value of the amount expected to be paid under the plan and is remeasured at each reporting date, so that the cumulative expense recognized equals the cash or the fair value of respective financial instruments distributed.

› Refer to Note 27 for more information

Note 1 Summary of material accounting policies (continued)

5) Post-employment benefit plans

Defined benefit plans

Defined benefit plans specify an amount of benefit that an employee will receive, which usually depends on one or more factors, such as age, years of service and compensation. The defined benefit liability recognized in the balance sheet is the present value of the defined benefit obligation, measured using the projected unit credit method, less the fair value of the plan's assets at the balance sheet date, with changes resulting from remeasurements recorded immediately in *Other comprehensive income*. If the fair value of the plan's assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. Calculation of the net defined benefit obligation or asset takes into account the specific features of each plan, including risk sharing between employee and employer, and is calculated periodically by independent qualified actuaries.

Critical accounting estimates and judgments

The net defined benefit liability or asset at the balance sheet date and the related personnel expense depend on the expected future benefits to be provided, determined using a number of economic and demographic assumptions. A range of assumptions could be applied, and different assumptions could significantly alter the defined benefit liability or asset and pension expense recognized. The most significant assumptions include life expectancy, discount rate, expected salary increases, pension increases and interest credits on retirement savings account balances. Sensitivity analysis for reasonable possible movements in each significant assumption for UBS AG's post-employment obligations is provided in Note 26.

› Refer to Note 26 for more information

Defined contribution plans

A defined contribution plan pays fixed contributions into a separate entity from which post-employment and other benefits are paid. UBS AG has no legal or constructive obligation to pay further amounts if the plan does not hold sufficient assets to pay employees the benefits relating to employee service in the current and prior periods. Compensation expense is recognized when the employees have rendered services in exchange for contributions. This is generally in the year of contribution. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

6) Income taxes

UBS AG is subject to the income tax laws of Switzerland and those of the non-Swiss jurisdictions in which UBS AG has business operations.

UBS AG's provision for income taxes is composed of current and deferred taxes. Current income taxes represent taxes to be paid or refunded for the current period or previous periods.

Deferred tax assets (DTAs) and deferred tax liabilities (DTLs) are recognized for temporary differences between the carrying amounts and tax bases of assets and liabilities that will result in deductible or taxable amounts, respectively in future periods. DTAs may also arise from other sources, including unused tax losses and unused tax credits. DTAs and DTLs are measured using the applicable tax rates and laws that have been enacted or substantively enacted by the end of the reporting period and that will be in effect when such differences are expected to reverse.

DTAs are recognized only to the extent it is probable that sufficient taxable profits will be available against which these differences can be used. When an entity or tax group has a history of recent losses, DTAs are only recognized to the extent there are sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses can be utilized.

Deferred and current tax assets and liabilities are offset when: (i) they arise in the same tax reporting group; (ii) they relate to the same tax authority; (iii) the legal right to offset exists; and (iv) with respect to current taxes they are intended to be settled net or realized simultaneously.

Current and deferred taxes are recognized as income tax benefit or expense in the income statement, except for current and deferred taxes recognized in relation to: (i) the acquisition of a subsidiary (for which such amounts would affect the amount of goodwill arising from the acquisition); (ii) gains and losses on the sale of treasury shares (for which the tax effects are recognized directly in *Equity*); (iii) unrealized gains or losses on financial instruments that are classified at FVOCI; (iv) changes in fair value of derivative instruments designated as cash flow hedges; (v) remeasurements of defined benefit plans; or (vi) certain foreign currency translations of foreign operations. Amounts relating to points (iii) through (vi) above are recognized in *Other comprehensive income* within *Equity*.

UBS AG reflects the potential effect of uncertain tax positions for which acceptance by the relevant tax authority is not considered probable by adjusting current or deferred taxes, as applicable, using either the most likely amount or expected value methods, depending on which method is deemed a better predictor of the basis on which, and extent to which, the uncertainty will be resolved.

Note 1 Summary of material accounting policies (continued)

Critical accounting estimates and judgments

Tax laws are complex, and judgment and interpretations about the application of such laws are required when accounting for income taxes. UBS AG considers the performance of its businesses and the accuracy of historical forecasts and other factors when evaluating the recoverability of its DTAs, including the remaining tax loss carry-forward period, and its assessment of expected future taxable profits in the forecast period used for recognizing DTAs. Estimating future profitability and business plan forecasts is inherently subjective and is particularly sensitive to future economic, market and other conditions.

Forecasts are reviewed annually, but adjustments may be made at other times, if required. If recent losses have been incurred, convincing evidence is required to prove there is sufficient future profitability given that the value of UBS AG's DTAs may be affected, with effects primarily recognized through the income statement.

In addition, judgment is required to assess the expected value of uncertain tax positions and the related probabilities, including interpretation of tax laws, the resolution of any income tax-related appeals and litigation.

› Refer to Note 8 for more information

7) Property, equipment and software

Property, equipment and software is measured at cost less accumulated depreciation and impairment losses. Software development costs are capitalized only when the costs can be measured reliably and it is probable that future economic benefits will arise. Depreciation of property, equipment and software begins when they are available for use and is calculated on a straight line basis over an asset's estimated useful life.

Property, equipment and software are generally tested for impairment at the appropriate cash-generating unit level, alongside goodwill and intangible assets as described in item 8 in this Note. An impairment charge is recognized for such assets if the recoverable amount is below its carrying amount. The recoverable amounts of such assets, other than property that has a market price, are generally determined using a replacement cost approach that reflects the amount that would be currently required by a market participant to replace the service capacity of the asset. If such assets are no longer used, they are tested individually for impairment.

› Refer to Note 11 for more information

8) Goodwill

Goodwill represents the excess of the consideration over the fair value of identifiable assets, liabilities and contingent liabilities acquired that arises in a business combination. Goodwill is not amortized, but is assessed for impairment at the end of each reporting period, or when indicators of impairment exist. UBS AG tests goodwill for impairment annually, irrespective of whether there is any indication of impairment.

An impairment charge is recognized in the income statement if the carrying amount exceeds the recoverable amount of a cash-generating unit.

Critical accounting estimates and judgments

UBS AG's methodology for goodwill impairment testing is based on a model that is most sensitive to the following key assumptions: (i) forecasts of earnings available to shareholders in years one to three; (ii) changes in the discount rates; and (iii) changes in the long-term growth rate.

Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the BoD. The discount rates and growth rates are determined using external information, and also considering inputs from both internal and external analysts and the view of management.

The key assumptions used to determine the recoverable amounts of each cash-generating unit are tested for sensitivity by applying reasonably possible changes to those assumptions.

› Refer to Notes 2 and 12 for more information

9) Provisions and contingent liabilities

Provisions are liabilities of uncertain timing or amount, and are generally recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, when: (i) UBS AG has a present obligation as a result of a past event; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) a reliable estimate of the amount of the obligation can be made.

The majority of UBS AG's provisions relate to litigation, regulatory and similar matters, restructuring, and employee benefits. Restructuring provisions are generally recognized as a consequence of management agreeing to materially change the scope of the business or the manner in which it is conducted, including changes in management structures. Provisions for employee benefits relate mainly to service anniversaries and sabbatical leave, and are recognized in accordance with measurement principles set out in item 4 in this Note. In addition, UBS AG presents expected credit loss allowances within *Provisions* if they relate to a loan commitment, financial guarantee contract or a revolving revocable credit line.

IAS 37 provisions are measured considering the best estimate of the consideration required to settle the present obligation at the balance sheet date.

Note 1 Summary of material accounting policies (continued)

When conditions required to recognize a provision are not met, a contingent liability is disclosed, unless the likelihood of an outflow of resources is remote. Contingent liabilities are also disclosed for possible obligations that arise from past events, the existence of which will be confirmed only by uncertain future events not wholly within the control of UBS AG.

Critical accounting estimates and judgments

Recognition of provisions often involves significant judgment in assessing the existence of an obligation that results from past events and in estimating the probability, timing and amount of any outflows of resources. This is particularly the case for litigation, regulatory and similar matters, which, due to their nature, are subject to many uncertainties, making their outcome difficult to predict.

The amount of any provision recognized is sensitive to the assumptions used and there could be a wide range of possible outcomes for any particular matter.

Management regularly reviews all the available information regarding such matters, including legal advice, to assess whether the recognition criteria for provisions have been satisfied and to determine the timing and amount of any potential outflows.

› Refer to Note 17 for more information

10) Foreign currency translation

Transactions denominated in a foreign currency are translated into the functional currency of the reporting entity at the spot exchange rate on the date of the transaction. At the balance sheet date, all monetary assets, including those at FVOCI, and monetary liabilities denominated in foreign currency are translated into the functional currency using the closing exchange rate. Translation differences are reported in *Other net income from financial instruments measured at fair value through profit or loss*.

Non-monetary items measured at historical cost are translated at the exchange rate on the date of the transaction.

Upon consolidation, assets and liabilities of foreign operations are translated into US dollars, UBS AG's presentation currency, at the closing exchange rate on the balance sheet date, and income and expense items and other comprehensive income are translated at the average rate for the period. The resulting foreign currency translation differences are recognized in *Equity* and reclassified to the income statement when UBS AG disposes of, partially or in its entirety, the foreign operation and UBS AG no longer controls the foreign operation.

Share capital issued, share premium and treasury shares held are translated at the historic average rate, with the difference between the historic average rate and the spot rate realized upon repayment of share capital or disposal of treasury shares reported as *Share premium*. Cumulative amounts recognized in *Other comprehensive income* in respect of cash flow hedges and financial assets measured at FVOCI are translated at the closing exchange rate as of the balance sheet dates, with any translation effects adjusted through *Retained earnings*.

› Refer to Note 32 for more information

11) Contracts on UBS Group AG shares

Contracts involving UBS Group AG shares that require net cash settlement, or provide the counterparty or UBS AG with a settlement option that includes a choice of settling net in cash, are classified as derivatives held for trading.

Note 1 Summary of material accounting policies (continued)

b) Changes in accounting policies, comparability and other adjustments

Changes to the presentation of the financial statements

During 2022, UBS AG made several changes to simplify the presentation of the income statement alongside other primary financial statements and disclosure notes, and to align them with management information. In particular, *Total operating income* has been renamed *Total revenues* and excludes *Credit loss expense / (release)*, which is now separately presented below *Total revenues*.

Reclassification of a portfolio from *Financial assets measured at fair value through other comprehensive income* to *Other financial assets measured at amortized cost*

Effective from 1 April 2022, UBS AG has reclassified a portfolio of financial assets from *Financial assets measured at fair value through other comprehensive income* with a fair value of USD 6.9bn (the Portfolio) to *Other financial assets measured at amortized cost*, in line with the principles in IFRS 9, *Financial Instruments*, which require a reclassification when an entity changes its business model for managing financial assets.

The Portfolio's cumulative fair value losses of USD 449m pre-tax and USD 333m post-tax, previously recognized in *Other comprehensive income*, have been removed from equity and adjusted against the value of the assets on the reclassification date, so that the Portfolio is measured as if the assets had always been classified at amortized cost, with a value of USD 7.4bn as on 1 April 2022. The reclassification had no effect on the income statement.

The reclassified Portfolio is made up of high-quality liquid assets, primarily US government treasuries and US government agency mortgage-backed securities, held and separately managed by UBS Bank USA (BUSA).

The accounting reclassification has arisen as a direct result of the transformation of UBS AG's Global Wealth Management Americas business, which has significantly impacted BUSA. This includes initiatives approved by the Group Executive Board to significantly grow and extend the business, as disclosed on 1 February 2022 during UBS's fourth quarter 2021 earnings presentation. Over the two years preceding the reclassification date, BUSA's deposit base grew by more than 100% generating substantial cash balances, with a number of new products being launched, including new deposit types that are longer in duration, additional lending and a broader range of customer segments targeted.

Following the commencement of these activities and the announcement made in the first quarter of 2022, the Portfolio is no longer held in a business model to collect the contractual cash flows and sell the assets, but is instead solely held to collect the contractual cash flows until the assets mature, requiring a reclassification of the Portfolio in line with IFRS 9 with effect from 1 April 2022.

The fair value of the Portfolio as on 31 December 2022 was USD 5.8bn. A pre-tax fair value loss of USD 981m would have been recognized in *Other comprehensive income* during 2022 if the Portfolio had not been reclassified.

- › Refer to the Statement of changes in equity and Note 20 for more information about the effects from the reclassification of the Portfolio

Accounting for obligations to safeguard crypto-assets an entity holds for platform users (SAB 121)

In March 2022, the US Security and Exchange Commission (the SEC) issued Staff Accounting Bulletin (SAB) 121, "Accounting for obligations to safeguard crypto-assets an entity holds for platform users." SAB 121 adds interpretive guidance requiring SEC registrants, including foreign private issuers that apply IFRS, to recognize a liability on their balance sheets to reflect the obligation to safeguard any digital asset that is issued or transferred using distributed ledger or blockchain technology and held for their platform users, along with a corresponding asset. The guidance is effective for UBS AG for annual reporting from 2022 onwards. Amounts that would be recognized as liabilities, with corresponding assets, under this guidance are not material to UBS AG.

c) International Financial Reporting Standards and Interpretations to be adopted in 2023 and later and other changes

IFRS 17, *Insurance Contracts*

In May 2017, the IASB issued IFRS 17, *Insurance Contracts*, which sets out the accounting requirements for contractual rights and obligations that arise from insurance contracts issued and reinsurance contracts held. IFRS 17 is effective from 1 January 2023. Adoption on 1 January 2023 will have no effect on UBS AG's financial statements. UBS AG does not provide insurance services in any market.

Other amendments to IFRS

The IASB has issued a number of minor amendments to IFRS, effective from 1 January 2023 and in later years. These amendments are not expected to have a significant effect on UBS AG when they are adopted.

Note 2a Segment reporting

UBS AG's businesses are organized globally into four business divisions: Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. All four business divisions are supported by Group Functions and qualify as reportable segments for the purpose of segment reporting. Together with Group Functions, the four business divisions reflect the management structure of UBS AG.

- **Global Wealth Management** provides financial services, advice and solutions to private wealth clients. Its offering ranges from investment management to estate planning and corporate finance advice, in addition to specific wealth management and banking products and services.
- **Personal & Corporate Banking** serves its private, corporate, and institutional clients' needs, from banking to retirement, financing, investments and strategic transactions, in Switzerland, through its branch network and digital channels.
- **Asset Management** is a global, large-scale and diversified asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as advisory support to institutions, wholesale intermediaries and wealth management clients.
- The **Investment Bank** provides a range of services to institutional, corporate and wealth management clients globally, to help them raise capital, grow their businesses, invest and manage risks. Its offering includes research, advisory services, facilitating clients raising debt and equity from the public and private markets and capital markets, cash and derivatives trading across equities and fixed income, and financing.
- **Group Functions** is made up of the following major areas: Group Services (which consists of Chief Digital and Information Office, Communications & Branding, Compliance, Finance, Group Sustainability and Impact, Human Resources, Group Legal, Regulatory & Governance, and Risk Control), Group Treasury and Non-core and Legacy Portfolio.

Financial information about the four business divisions and Group Functions is presented separately in internal management reports to the Executive Board, which is considered the "chief operating decision maker" pursuant to IFRS 8, *Operating Segments*.

UBS AG's internal accounting policies, which include management accounting policies and service level agreements, determine the revenues and expenses directly attributable to each reportable segment. Transactions between the reportable segments are carried out at internally agreed rates and are reflected in the operating results of the reportable segments. Revenue-sharing agreements are used to allocate external client revenues to reportable segments where several reportable segments are involved in the value creation chain. Total intersegment revenues for UBS AG are immaterial, as the majority of the revenues are allocated across the segments by means of revenue-sharing agreements. Interest income earned from managing UBS AG's consolidated equity is allocated to the reportable segments based on average attributed equity and currency composition. Assets and liabilities of the reportable segments are funded through and invested with Group Functions, and the net interest margin is reflected in the results of each reportable segment.

Segment assets are based on a third-party view and do not include intercompany balances. This view is in line with internal reporting to management. If one operating segment is involved in an external transaction together with another operating segment or Group Functions, additional criteria are considered to determine the segment that will report the associated assets. This will include a consideration of which segment's business needs are being addressed by the transaction and which segment is providing the funding and / or resources. Allocation of liabilities follows the same principles.

Non-current assets disclosed for segment reporting purposes represent assets that are expected to be recovered more than 12 months after the reporting date, excluding financial instruments, deferred tax assets and post-employment benefits.

Note 2a Segment reporting (continued)

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | UBS AG |
|---|--------------------------|------------------------------|--------------------|-----------------|-----------------|--------------|
| For the year ended 31 December 2022 | | | | | | |
| Net interest income | 5,274 | 2,192 | (19) | (241) | (688) | 6,517 |
| Non-interest income | 13,689 | 2,113 | 2,980 ¹ | 8,958 | 659 | 28,398 |
| Total revenues | 18,963 | 4,304 | 2,961 | 8,717 | (30) | 34,915 |
| Credit loss expense / (release) | 0 | 39 | 0 | (12) | 3 | 29 |
| Operating expenses | 14,069 | 2,475 | 1,565 | 6,890 | 928 | 25,927 |
| Operating profit / (loss) before tax | 4,894 | 1,790 | 1,396 | 1,839 | (960) | 8,960 |
| Tax expense / (benefit) | | | | | | 1,844 |
| Net profit / (loss) | | | | | | 7,116 |
| Additional information | | | | | | |
| Total assets | 388,624 | 235,330 | 16,971 | 391,495 | 73,016 | 1,105,436 |
| Additions to non-current assets | 42 | 13 | 1 | 33 | 1,773 | 1,862 |
| For the year ended 31 December 2021 | | | | | | |
| Net interest income | 4,244 | 2,120 | (15) | 481 | (226) | 6,605 |
| Non-interest income | 15,175 | 2,144 | 2,632 | 8,978 | 294 | 29,222 |
| Total revenues | 19,419 | 4,264 | 2,617 | 9,459 | 68 | 35,828 |
| Credit loss expense / (release) | (29) | (86) | 1 | (34) | 0 | (148) |
| Operating expenses | 14,743 | 2,623 | 1,593 | 6,902 | 1,151 | 27,012 |
| Operating profit / (loss) before tax | 4,706 | 1,726 | 1,023 | 2,592 | (1,083) | 8,964 |
| Tax expense / (benefit) | | | | | | 1,903 |
| Net profit / (loss) | | | | | | 7,061 |
| Additional information | | | | | | |
| Total assets ² | 395,235 | 225,425 | 25,202 | 346,641 | 123,641 | 1,116,145 |
| Additions to non-current assets | 56 | 16 | 1 | 30 | 1,689 | 1,791 |
| For the year ended 31 December 2020 | | | | | | |
| Net interest income | 4,027 | 2,049 | (17) | 284 | (555) | 5,788 |
| Non-interest income ³ | 13,107 | 1,859 | 2,993 | 9,224 | 504 | 27,686 |
| Total revenues | 17,134 | 3,908 | 2,975 | 9,508 | (52) | 33,474 |
| Credit loss expense / (release) | 88 | 257 | 2 | 305 | 42 | 695 |
| Operating expenses | 13,080 | 2,390 | 1,520 | 6,762 | 1,329 | 25,081 |
| Operating profit / (loss) before tax | 3,965 | 1,261 | 1,454 | 2,441 | (1,423) | 7,699 |
| Tax expense / (benefit) | | | | | | 1,488 |
| Net profit / (loss) | | | | | | 6,211 |
| Additional information | | | | | | |
| Total assets | 367,714 | 231,710 | 28,266 | 369,778 | 127,858 | 1,125,327 |
| Additions to non-current assets | 5 | 12 | 385 | 150 | 1,971 | 2,524 |

¹ Includes an USD 848m gain in Asset Management related to the sale of UBS AG's shareholding in Mitsubishi Corp.-UBS Realty Inc. ² During 2022, UBS AG refined the methodology applied to allocate balance sheet resources from Group Functions to the business divisions, with prospective effect. If the new methodology had been applied as of 31 December 2021, balance sheet assets allocated to business divisions would have been USD 26bn higher, of which USD 14bn related to the Investment Bank. ³ Includes a USD 631m net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG), of which USD 571m was recognized in Asset Management and USD 60m was recognized in Global Wealth Management.

Note 2b Segment reporting by geographic location

The operating regions shown in the table below correspond to the regional management structure of UBS AG. The allocation of total revenues to these regions reflects, and is consistent with, the basis on which the business is managed and its performance is evaluated. These allocations involve assumptions and judgments that management considers to be reasonable, and may be refined to reflect changes in estimates or management structure. The main principles of the allocation methodology are that client revenues are attributed to the domicile of the given client and trading and portfolio management revenues are attributed to the country where the risk is managed. This revenue attribution is consistent with the mandate of the regional Presidents. Certain revenues, such as those related to Non-core and Legacy Portfolio in Group Functions, are managed at a Group level. These revenues are included in the *Global* line.

The geographic analysis of non-current assets is based on the location of the entity in which the given assets are recorded.

For the year ended 31 December 2022

| | Total revenues ¹ | | Total non-current assets | |
|--|-----------------------------|------------|--------------------------|------------|
| | USD bn | Share % | USD bn | Share % |
| Americas ² | 13.8 | 40 | 9.0 | 48 |
| Asia Pacific | 5.6 | 16 | 1.5 | 8 |
| Europe, Middle East and Africa (excluding Switzerland) | 7.0 | 20 | 2.6 | 14 |
| Switzerland | 7.7 | 22 | 5.6 | 30 |
| Global | 0.8 | 2 | 0.0 | 0 |
| Total | 34.9 | 100 | 18.7 | 100 |

For the year ended 31 December 2021

| | Total revenues ¹ | | Total non-current assets | |
|--|-----------------------------|------------|--------------------------|------------|
| | USD bn | Share % | USD bn | Share % |
| Americas ² | 14.5 | 40 | 9.0 | 47 |
| Asia Pacific | 6.5 | 18 | 1.4 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 7.0 | 20 | 2.6 | 13 |
| Switzerland | 7.8 | 22 | 6.3 | 33 |
| Global | 0.1 | 0 | 0.0 | 0 |
| Total | 35.8 | 100 | 19.3 | 100 |

For the year ended 31 December 2020

| | Total revenues ¹ | | Total non-current assets | |
|--|-----------------------------|------------|--------------------------|------------|
| | USD bn | Share % | USD bn | Share % |
| Americas ² | 13.2 | 39 | 9.0 | 45 |
| Asia Pacific | 6.1 | 18 | 1.4 | 7 |
| Europe, Middle East and Africa (excluding Switzerland) | 6.5 | 20 | 2.7 | 14 |
| Switzerland | 7.1 | 21 | 6.9 | 34 |
| Global | 0.5 | 2 | 0.0 | 0 |
| Total | 33.5 | 100 | 20.0 | 100 |

¹ During 2022, UBS AG changed the presentation of its Income statement. Total operating income was renamed Total revenues and excludes Credit loss expense / (release). Note 2b, including prior-period information, has been updated to reflect the new presentation structure, with the disclosure of Total revenues instead of Total operating income. Refer to Note 1b for more information. ² Predominantly related to the USA.

Income statement notes

Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss

| USD m | For the year ended | | |
|--|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 1,410 | 1,437 | 1,305 |
| Other net income from financial instruments measured at fair value through profit or loss | 7,493 | 5,844 | 6,930 |
| of which: net gains / (losses) from financial liabilities designated at fair value ¹ | 17,036 | (6,457) | 1,625 |
| Total net income from financial instruments measured at fair value through profit or loss and other | 8,903 | 7,281 | 8,235 |

Net interest income

| | | | |
|--|---------------|--------------|--------------|
| Interest income from loans and deposits ² | 9,634 | 6,489 | 6,696 |
| Interest income from securities financing transactions measured at amortized cost ³ | 1,378 | 513 | 862 |
| Interest income from other financial instruments measured at amortized cost | 545 | 284 | 335 |
| Interest income from debt instruments measured at fair value through other comprehensive income | 74 | 115 | 101 |
| Interest income from derivative instruments designated as cash flow hedges | 173 | 1,133 | 822 |
| Total interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 11,803 | 8,534 | 8,816 |
| Interest expense on loans and deposits ⁴ | 4,488 | 1,655 | 2,440 |
| Interest expense on securities financing transactions measured at amortized cost ⁵ | 1,089 | 1,102 | 870 |
| Interest expense on debt issued | 1,031 | 512 | 918 |
| Interest expense on lease liabilities | 88 | 98 | 105 |
| Total interest expense from financial instruments measured at amortized cost | 6,696 | 3,366 | 4,333 |
| Total net interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 5,108 | 5,168 | 4,483 |
| Total net interest income from financial instruments measured at fair value through profit or loss and other | 1,410 | 1,437 | 1,305 |
| Total net interest income | 6,517 | 6,605 | 5,788 |

1 Excludes fair value changes of hedges related to financial liabilities designated at fair value and foreign currency translation effects arising from translating foreign currency transactions into the respective functional currency, both of which are reported within Other net income from financial instruments measured at fair value through profit or loss. 2022 included net gains of USD 4,112m (net losses of USD 2,068m and USD 72m in 2021 and 2020, respectively), driven by financial liabilities related to unit-linked investment contracts, which are designated at fair value through profit or loss. This was offset by net losses of USD 4,112m (net gains of USD 2,068m and USD 72m in 2021 and 2020, respectively), related to financial assets for unit-linked investment contracts that are mandatorily measured at fair value through profit or loss not held for trading. 2 Consists of interest income from cash and balances at central banks, loans and advances to banks and customers, and cash collateral receivables on derivative instruments, as well as negative interest on amounts due to banks, customer deposits, and cash collateral payables on derivative instruments. 3 Includes negative interest, including fees, on payables from securities financing transactions measured at amortized cost. 4 Consists of interest expense on amounts due to banks, cash collateral payables on derivative instruments, customer deposits, and funding from UBS Group AG measured at amortized cost, as well as negative interest on cash and balances at central banks, loans and advances to banks, and cash collateral receivables on derivative instruments. 5 Includes negative interest, including fees, on receivables from securities financing transactions measured at amortized cost.

Note 4 Net fee and commission income

| USD m | For the year ended | | |
|--|--------------------|---------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Underwriting fees | 633 | 1,512 | 1,104 |
| M&A and corporate finance fees | 804 | 1,102 | 736 |
| Brokerage fees | 3,487 | 4,383 | 4,132 |
| Investment fund fees | 4,942 | 5,790 | 5,289 |
| Portfolio management and related services | 9,059 | 9,762 | 8,009 |
| Other | 1,921 | 1,874 | 1,712 |
| Total fee and commission income¹ | 20,846 | 24,422 | 20,982 |
| of which: recurring | 14,229 | 15,410 | 13,010 |
| of which: transaction-based | 6,550 | 8,743 | 7,512 |
| of which: performance-based | 68 | 269 | 461 |
| Fee and commission expense | 1,823 | 1,985 | 1,775 |
| Net fee and commission income | 19,023 | 22,438 | 19,207 |

1 For the year ended 31 December 2022, reflects third-party fee and commission income of USD 12,990m for Global Wealth Management, USD 1,657m for Personal & Corporate Banking, USD 2,840m for Asset Management, USD 3,350m for the Investment Bank and USD 10m for Group Functions (for the year ended 31 December 2021: USD 14,545m for Global Wealth Management, USD 1,645m for Personal & Corporate Banking, USD 3,337m for Asset Management, USD 4,863m for the Investment Bank and USD 33m for Group Functions; for the year ended 31 December 2020: USD 12,475m for Global Wealth Management, USD 1,427m for Personal & Corporate Banking, USD 3,129m for Asset Management, USD 3,901m for the Investment Bank and USD 50m for Group Functions).

Note 5 Other income

| USD m | For the year ended | | |
|---|--------------------|------------------|------------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Associates, joint ventures and subsidiaries | | | |
| Net gains / (losses) from acquisitions and disposals of subsidiaries ¹ | 148 | (11) | 635 ² |
| Net gains / (losses) from disposals of investments in associates and joint ventures | 844 ³ | 41 | 0 |
| Share of net profits of associates and joint ventures | 32 | 105 | 84 |
| Total | 1,024 | 134 | 719 |
| Net gains / (losses) from disposals of financial assets measured at fair value through other comprehensive income | (1) | 9 | 40 |
| Income from properties ⁴ | 20 | 22 | 25 |
| Net gains / (losses) from properties held for sale | 71 | 100 ⁵ | 76 ⁶ |
| Income from shared services provided to UBS Group AG or its subsidiaries | 460 | 451 | 422 |
| Other | 308 ⁷ | 224 ⁸ | 267 ⁹ |
| Total other income | 1,882 | 941 | 1,549 |

1 Includes foreign exchange gains / (losses) reclassified from other comprehensive income related to the disposal or closure of foreign operations. Refer to Note 29 for more information about UBS AG's acquisitions and disposals of subsidiaries and businesses. 2 Includes a USD 631m net gain on the sale of a majority stake in Fondcenter AG (now Clearstream Fund Centre AG). 3 Includes an USD 848m gain related to the sale of UBS AG's shareholding in Mitsubishi Corp.-UBS Realty Inc. Refer to Note 28b for more information. 4 Includes rent received from third parties. 5 Mainly relates to the sale of a property in Basel. 6 Includes net gains of USD 140m arising from sale-and-leaseback transactions, primarily related to a property in Geneva, partly offset by remeasurement losses relating to properties that were reclassified as held for sale. 7 Mainly relates to a portion of the total USD 133m gain on the sale of UBS AG's domestic wealth management business in Spain of USD 111m (with the remaining amount disclosed within Net gains / (losses) from acquisitions and disposals of subsidiaries), income of USD 111m related to a legacy litigation settlement and a legacy bankruptcy claim, as well as gains of USD 23m related to the repurchase of UBS's own debt instruments (compared with losses of USD 17m in 2021). 8 Includes a gain of USD 100m from the sale of UBS AG's domestic wealth management business in Austria. 9 Includes a USD 215m gain on the sale of intellectual property rights associated with the Bloomberg Commodity Index family.

Note 6 Personnel expenses

| USD m | For the year ended | | |
|--|--------------------|---------------|--------------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Salaries ¹ | 5,528 | 5,723 | 5,535 |
| Variable compensation ² | 7,636 | 7,973 | 7,246 |
| of which: performance awards | 2,910 | 2,916 | 2,953 ³ |
| of which: financial advisors ⁴ | 4,508 | 4,860 | 4,091 |
| of which: other | 217 | 196 | 201 |
| Contractors | 119 | 142 | 138 |
| Social security | 730 | 762 | 704 ³ |
| Post-employment benefit plans ⁵ | 555 | 582 | 597 |
| of which: defined benefit plans | 256 | 280 | 306 |
| of which: defined contribution plans | 299 | 303 | 291 |
| Other personnel expenses | 513 | 479 | 466 ³ |
| Total personnel expenses | 15,080 | 15,661 | 14,686 |

1 Includes role-based allowances. 2 Refer to Note 27 for more information. 3 During 2020, UBS AG modified the conditions for continued vesting of certain outstanding deferred compensation awards for qualifying employees, resulting in an expense of approximately USD 270m, of which USD 240m is disclosed within Variable compensation – performance awards, USD 20m within Social security and USD 10m within Other personnel expenses. 4 Consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. 5 Refer to Note 26 for more information. Includes curtailment gains of USD 13m for the year ended 31 December 2022 (for the year ended 31 December 2021: USD 49m; for the year ended 31 December 2020: USD 0m), which represent a reduction in the defined benefit obligation related to the Swiss pension plan resulting from a decrease in headcount following restructuring activities.

Note 7 General and administrative expenses

| USD m | For the year ended | | |
|---|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Outsourcing costs | 451 | 426 | 466 |
| Technology costs | 502 | 490 | 449 |
| Consulting, legal and audit fees | 494 | 465 | 566 |
| Real estate and logistics costs | 507 | 530 | 563 |
| Market data services | 367 | 367 | 361 |
| Marketing and communication | 195 | 171 | 162 |
| Travel and entertainment | 156 | 66 | 77 |
| Litigation, regulatory and similar matters ¹ | 348 | 910 | 197 |
| Other | 5,981 | 6,051 | 5,646 |
| of which: shared services costs charged by UBS Group AG or its subsidiaries | 5,264 | 5,321 | 4,939 |
| Total general and administrative expenses | 9,001 | 9,476 | 8,486 |

1 Reflects the net increase in provisions for litigation, regulatory and similar matters recognized in the income statement. Refer to Note 17 for more information.

Note 8 Income taxes

| USD m | For the year ended | | |
|--|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Tax expense / (benefit) | | | |
| Swiss | | | |
| Current | 664 | 614 | 417 |
| Deferred | (22) | 26 | 107 |
| Total Swiss | 642 | 640 | 524 |
| Non-Swiss | | | |
| Current | 689 | 857 | 715 |
| Deferred | 513 | 406 | 248 |
| Total non-Swiss | 1,202 | 1,263 | 963 |
| Total income tax expense / (benefit) recognized in the income statement | 1,844 | 1,903 | 1,488 |

Income tax recognized in the income statement

The Swiss current tax expenses related to taxable profits of UBS Switzerland AG and other Swiss entities.

The non-Swiss current tax expenses related to taxable profits of non-Swiss subsidiaries and branches. The non-Swiss deferred tax expenses include expenses of USD 678m that primarily related to the amortization of deferred tax assets (DTAs) previously recognized in relation to tax losses carried forward and deductible temporary differences of UBS Americas Inc., which were partly offset by a benefit of USD 169m in respect of net upward revaluations of DTAs for certain entities, primarily in connection with our business planning process.

The effective tax rate for the year of 20.6% is lower than our projected rate for the year of 24%, primarily as a result of the aforementioned deferred tax benefit of USD 169m in respect of net upward revaluations of DTAs and because no tax expenses were recognized in respect of pre-tax gains from dispositions of UBS subsidiaries in 2022.

› Refer to Note 29 for more information about disposals of subsidiaries

| USD m | For the year ended | | |
|---|--------------------|--------------|--------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Operating profit / (loss) before tax | 8,960 | 8,964 | 7,699 |
| of which: Swiss | 4,052 | 2,983 | 3,042 |
| of which: non-Swiss | 4,907 | 5,981 | 4,657 |
| Income taxes at Swiss tax rate of 18% for 2022, 18.5% for 2021 and 19.5% for 2020 | 1,613 | 1,658 | 1,501 |
| Increase / (decrease) resulting from: | | | |
| Non-Swiss tax rates differing from Swiss tax rate | 267 | 217 | 96 |
| Tax effects of losses not recognized | 74 | 124 | 144 |
| Previously unrecognized tax losses now utilized | (217) | (179) | (212) |
| Non-taxable and lower-taxed income | (316) | (252) | (381) |
| Non-deductible expenses and additional taxable income | 414 | 487 | 373 |
| Adjustments related to prior years, current tax | (33) | (38) | (66) |
| Adjustments related to prior years, deferred tax | 19 | (3) | 18 |
| Change in deferred tax recognition | (217) | (341) | (383) |
| Adjustments to deferred tax balances arising from changes in tax rates | 0 | (1) | 235 |
| Other items | 240 | 230 | 163 |
| Income tax expense / (benefit) | 1,844 | 1,903 | 1,488 |

Note 8 Income taxes (continued)

The components of operating profit before tax, and the differences between income tax expense reflected in the financial statements and the amounts calculated at the Swiss tax rate, are provided in the table above and explained below.

| Component | Description |
|---|---|
| Non-Swiss tax rates differing from the Swiss tax rate | To the extent that UBS AG profits or losses arise outside Switzerland, the applicable local tax rate may differ from the Swiss tax rate. This item reflects, for such profits, an adjustment from the tax expense that would arise at the Swiss tax rate to the tax expense that would arise at the applicable local tax rate. Similarly, it reflects, for such losses, an adjustment from the tax benefit that would arise at the Swiss tax rate to the tax benefit that would arise at the applicable local tax rate. |
| Tax effects of losses not recognized | This item relates to tax losses of entities arising in the year that are not recognized as DTAs and where no tax benefit arises in relation to those losses. Therefore, the tax benefit calculated by applying the local tax rate to those losses as described above is reversed. |
| Previously unrecognized tax losses now utilized | This item relates to taxable profits of the year that are offset by tax losses of previous years for which no DTAs were previously recorded. Consequently, no current tax or deferred tax expense arises in relation to those taxable profits and the tax expense calculated by applying the local tax rate on those profits is reversed. |
| Non-taxable and lower-taxed income | This item relates to tax deductions for the year in respect of permanent differences. These include deductions in respect of profits that are either not taxable or are taxable at a lower rate of tax than the local tax rate. They also include deductions made for tax purposes, which are not reflected in the accounts. |
| Non-deductible expenses and additional taxable income | This item relates to additional taxable income for the year in respect of permanent differences. These include income that is recognized for tax purposes by an entity but is not included in its profit that is reported in the financial statements, as well as expenses for the year that are non-deductible (e.g., client entertainment costs are not deductible in certain locations). |
| Adjustments related to prior years, current tax | This item relates to adjustments to current tax expense for prior years (e.g., if the tax payable for a year is agreed with the tax authorities in an amount that differs from the amount previously reflected in the financial statements). |
| Adjustments related to prior years, deferred tax | This item relates to adjustments to deferred tax positions recognized in prior years (e.g., if a tax loss for a year is fully recognized and the amount of the tax loss agreed with the tax authorities is expected to differ from the amount previously recognized as DTAs in the accounts). |
| Change in deferred tax recognition | This item relates to changes in DTAs, including changes in DTAs previously recognized resulting from reassessments of expected future taxable profits. It also includes changes in temporary differences in the year, for which deferred tax is not recognized. |
| Adjustments to deferred tax balances arising from changes in tax rates | This item relates to remeasurements of DTAs and liabilities recognized due to changes in tax rates. These have the effect of changing the future tax saving that is expected from tax losses or deductible tax differences and therefore the amount of DTAs recognized or, alternatively, changing the tax cost of additional taxable income from taxable temporary differences and therefore the deferred tax liability. |
| Other items | Other items include other differences between profits or losses at the local tax rate and the actual local tax expense or benefit, including movements in provisions for uncertain positions in relation to the current year and other items. |

Income tax recognized directly in equity

A net tax benefit of USD 1,095m was recognized in *Other comprehensive income* (2021: net benefit of USD 455m) and a net tax benefit of USD 5m was recognized in *Share premium* (2021: net expense of USD 102m).

Note 8 Income taxes (continued)

Deferred tax assets and liabilities

UBS AG has gross DTAs, valuation allowances and recognized DTAs related to tax loss carry-forwards and deductible temporary differences, as well as deferred tax liabilities in respect of taxable temporary differences, as shown in the table below. The valuation allowances reflect DTAs that were not recognized because, as of the last remeasurement period, management did not consider it probable that there would be sufficient future taxable profits available to utilize the related tax loss carry-forwards and deductible temporary differences.

The recognition of DTAs is supported by forecasts of taxable profits for the entities concerned. In addition, tax planning opportunities are available that would result in additional future taxable income and these would be utilized, if necessary.

Deferred tax liabilities are recognized in respect of investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that UBS AG can control the timing of the reversal of the associated taxable temporary difference and it is probable that such will not reverse in the foreseeable future. However, as of 31 December 2022, this exception was not considered to apply to any taxable temporary differences.

| <i>USD m</i> | 31.12.22 | | | 31.12.21 | | |
|---|---------------|---------------------|--------------------------|---------------|---------------------|--------------------------|
| | Gross | Valuation allowance | Recognized | Gross | Valuation allowance | Recognized |
| Deferred tax assets¹ | | | | | | |
| Tax loss carry-forwards | 12,708 | (8,720) | 3,988 | 13,636 | (9,193) | 4,443 |
| Temporary differences | 5,774 | (408) | 5,365 | 5,092 | (696) | 4,396 |
| <i>of which: related to real estate costs capitalized for US tax purposes</i> | 2,485 | 0 | 2,485 | 2,272 | 0 | 2,272 |
| <i>of which: related to compensation and benefits</i> | 1,169 | (175) | 993 | 1,200 | (209) | 991 |
| <i>of which: related to cash flow hedges</i> | 947 | 0 | 947 | 3 | 0 | 3 |
| <i>of which: other</i> | 1,173 | (233) | 940 | 1,620 | (487) | 1,133 |
| Total deferred tax assets | 18,482 | (9,128) | 9,354² | 18,728 | (9,889) | 8,839² |
| <i>of which: related to the US</i> | | | 8,294 | | | 8,521 |
| <i>of which: related to other locations</i> | | | 1,060 | | | 318 |
| Deferred tax liabilities | | | | | | |
| Cash flow hedges | | | 0 | | | 118 |
| Other | | | 233 | | | 179 |
| Total deferred tax liabilities | | | 233 | | | 297 |

¹ After offset of DTLs, as applicable. ² As of 31 December 2022, UBS AG recognized DTAs of USD 471m (31 December 2021: USD 77m) in respect of entities that incurred losses in either the current or preceding year.

In general, US federal tax losses incurred prior to 31 December 2017 can be carried forward for 20 years. US federal tax losses incurred after that date can be carried forward indefinitely, although the utilization of such losses is limited to 80% of the entity's future year taxable profits. UK tax losses can also be carried forward indefinitely; they can shelter up to either 25% or 50% of future year taxable profits, depending on when the tax losses arose. The amounts of US tax loss carry-forwards that are included in the table below are based on their amount for federal tax purposes rather than for state and local tax purposes.

Unrecognized tax loss carry-forwards

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|--|---------------|---------------|
| Within 1 year | 231 | 141 |
| From 2 to 5 years | 2,184 | 1,026 |
| From 6 to 10 years | 11,106 | 13,283 |
| From 11 to 20 years | 1,610 | 2,093 |
| No expiry | 16,960 | 18,147 |
| Total | 32,091 | 34,690 |
| <i>of which: related to the US¹</i> | 13,350 | 14,870 |
| <i>of which: related to the UK</i> | 14,332 | 14,909 |
| <i>of which: related to other locations</i> | 4,409 | 4,911 |

¹ Related to UBS AG's US branch.

Balance sheet notes

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement

The tables below provide information about financial instruments and certain credit lines that are subject to expected credit loss (ECL) requirements. UBS AG's ECL disclosure segments, or "ECL segments" are aggregated portfolios based on shared risk characteristics and on the same or similar rating methods applied. The key segments are presented in the table below.

› Refer to Note 19 for more information about expected credit loss measurement

| Segment | Segment description | Description of credit risk sensitivity | Business division |
|---|---|--|---|
| Private clients with mortgages | Lending to private clients secured by owner-occupied real estate and personal account overdrafts of those clients | Sensitive to the interest rate environment, unemployment levels, real estate collateral values and other regional aspects | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management |
| Real estate financing | Rental or income-producing real estate financing to private and corporate clients secured by real estate | Sensitive to unemployment levels, the interest rate environment, real estate collateral values and other regional aspects | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management – Investment Bank |
| Large corporate clients | Lending to large corporate and multi-national clients | Sensitive to GDP developments, unemployment levels, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | <ul style="list-style-type: none"> – Personal & Corporate Banking – Investment Bank |
| SME clients | Lending to small and medium-sized corporate clients | Sensitive to GDP developments, unemployment levels, the interest rate environment and, to some extent, seasonality, business cycles and collateral values (diverse collateral, including real estate and other collateral types) | <ul style="list-style-type: none"> – Personal & Corporate Banking |
| Lombard | Loans secured by pledges of marketable securities, guarantees and other forms of collateral (including concentration in hedge funds, private equity and unlisted equities), as well as unsecured recourse lending | Sensitive to equity and debt markets (e.g., changes in collateral values) | <ul style="list-style-type: none"> – Global Wealth Management |
| Credit cards | Credit card solutions in Switzerland and the US | Sensitive to unemployment levels | <ul style="list-style-type: none"> – Personal & Corporate Banking – Global Wealth Management |
| Commodity trade finance | Working capital financing of commodity traders, generally extended on a self-liquidating transactional basis | Sensitive primarily to the strength of individual transaction structures and collateral values (price volatility of commodities), as the primary source for debt service is directly linked to the shipments financed | <ul style="list-style-type: none"> – Personal & Corporate Banking |
| Financial intermediaries and hedge funds | Lending to financial institutions and pension funds, including exposures to broker-dealers and clearing houses | Sensitive to GDP development, the interest rate environment, price and volatility risks in financial markets, and regulatory and political risk | <ul style="list-style-type: none"> – Personal & Corporate Banking – Investment Bank |

› Refer to Note 19f for more details regarding sensitivity

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

The tables below provide ECL exposure and ECL allowance and provision information about financial instruments and certain non-financial instruments that are subject to ECLs.

| USD m | 31.12.22 | | | | | | | |
|---|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Carrying amount ¹ | | | | ECL allowances | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 169,445 | 169,402 | 44 | 0 | (12) | 0 | (12) | 0 |
| Loans and advances to banks | 14,671 | 14,670 | 1 | 0 | (6) | (5) | (1) | 0 |
| Receivables from securities financing transactions measured at amortized cost | 67,814 | 67,814 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 35,033 | 35,033 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 390,027 | 372,903 | 15,587 | 1,538 | (783) | (129) | (180) | (474) |
| of which: Private clients with mortgages | 156,930 | 147,651 | 8,579 | 699 | (161) | (27) | (107) | (28) |
| of which: Real estate financing | 46,470 | 43,112 | 3,349 | 9 | (41) | (17) | (23) | 0 |
| of which: Large corporate clients | 12,226 | 10,733 | 1,189 | 303 | (130) | (24) | (14) | (92) |
| of which: SME clients | 13,903 | 12,211 | 1,342 | 351 | (251) | (26) | (22) | (203) |
| of which: Lombard | 132,287 | 132,196 | 0 | 91 | (26) | (9) | 0 | (17) |
| of which: Credit cards | 1,834 | 1,420 | 382 | 31 | (36) | (7) | (10) | (19) |
| of which: Commodity trade finance | 3,272 | 3,261 | 0 | 11 | (96) | (6) | 0 | (90) |
| Other financial assets measured at amortized cost | 53,389 | 52,829 | 413 | 147 | (86) | (17) | (6) | (63) |
| of which: Loans to financial advisors | 2,611 | 2,357 | 128 | 126 | (59) | (7) | (2) | (51) |
| Total financial assets measured at amortized cost | 730,379 | 712,651 | 16,044 | 1,685 | (890) | (154) | (199) | (537) |
| Financial assets measured at fair value through other comprehensive income | 2,239 | 2,239 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets within the scope of ECL requirements | 732,618 | 714,889 | 16,044 | 1,685 | (890) | (154) | (199) | (537) |
| | | Total exposure | | | ECL provisions | | | |
| Off-balance sheet (within the scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 22,167 | 19,805 | 2,254 | 108 | (48) | (13) | (9) | (26) |
| of which: Large corporate clients | 3,663 | 2,883 | 721 | 58 | (26) | (2) | (3) | (21) |
| of which: SME clients | 1,337 | 1,124 | 164 | 49 | (5) | (1) | (1) | (3) |
| of which: Financial intermediaries and hedge funds | 11,833 | 10,513 | 1,320 | 0 | (12) | (8) | (4) | 0 |
| of which: Lombard | 2,376 | 2,376 | 0 | 1 | (1) | 0 | 0 | (1) |
| of which: Commodity trade finance | 2,121 | 2,121 | 0 | 0 | (1) | (1) | 0 | 0 |
| Irrevocable loan commitments | 39,996 | 37,531 | 2,341 | 124 | (111) | (59) | (52) | 0 |
| of which: Large corporate clients | 23,611 | 21,488 | 2,024 | 99 | (93) | (49) | (45) | 0 |
| Forward starting reverse repurchase and securities borrowing agreements | 3,801 | 3,801 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 43,677 | 41,809 | 1,833 | 36 | (40) | (32) | (8) | 0 |
| of which: Real estate financing | 8,711 | 8,528 | 183 | 0 | (6) | (6) | 0 | 0 |
| of which: Large corporate clients | 4,578 | 4,304 | 268 | 5 | (4) | (1) | (2) | 0 |
| of which: SME clients | 4,723 | 4,442 | 256 | 26 | (19) | (16) | (3) | 0 |
| of which: Lombard | 7,855 | 7,854 | 0 | 1 | 0 | 0 | 0 | 0 |
| of which: Credit cards | 9,390 | 8,900 | 487 | 3 | (7) | (5) | (2) | 0 |
| of which: Commodity trade finance | 327 | 327 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrevocable committed prolongation of existing loans | 4,696 | 4,600 | 94 | 2 | (2) | (2) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 114,337 | 107,545 | 6,522 | 270 | (201) | (106) | (69) | (26) |
| Total allowances and provisions | | | | | (1,091) | (260) | (267) | (564) |

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

| USD m | 31.12.21 | | | | | | | |
|---|------------------------------|----------------|---------------|--------------|----------------|--------------|--------------|--------------|
| | Carrying amount ¹ | | | | ECL allowances | | | |
| Financial instruments measured at amortized cost | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Cash and balances at central banks | 192,817 | 192,817 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to banks | 15,360 | 15,333 | 26 | 1 | (8) | (7) | (1) | 0 |
| Receivables from securities financing transactions measured at amortized cost | 75,012 | 75,012 | 0 | 0 | (2) | (2) | 0 | 0 |
| Cash collateral receivables on derivative instruments | 30,514 | 30,514 | 0 | 0 | 0 | 0 | 0 | 0 |
| Loans and advances to customers | 398,693 | 381,496 | 15,620 | 1,577 | (850) | (126) | (152) | (572) |
| <i>of which: Private clients with mortgages</i> | 152,479 | 143,505 | 8,262 | 711 | (132) | (28) | (71) | (33) |
| <i>of which: Real estate financing</i> | 43,945 | 40,463 | 3,472 | 9 | (60) | (19) | (40) | 0 |
| <i>of which: Large corporate clients</i> | 13,990 | 12,643 | 1,037 | 310 | (170) | (22) | (16) | (133) |
| <i>of which: SME clients</i> | 14,004 | 12,076 | 1,492 | 436 | (259) | (19) | (15) | (225) |
| <i>of which: Lombard</i> | 149,283 | 149,255 | 0 | 27 | (33) | (6) | 0 | (28) |
| <i>of which: Credit cards</i> | 1,716 | 1,345 | 342 | 29 | (36) | (10) | (9) | (17) |
| <i>of which: Commodity trade finance</i> | 3,813 | 3,799 | 7 | 7 | (114) | (6) | 0 | (108) |
| Other financial assets measured at amortized cost | 26,236 | 25,746 | 302 | 189 | (109) | (27) | (7) | (76) |
| <i>of which: Loans to financial advisors</i> | 2,453 | 2,184 | 106 | 163 | (86) | (19) | (3) | (63) |
| Total financial assets measured at amortized cost | 738,632 | 720,917 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |
| Financial assets measured at fair value through other comprehensive income | 8,844 | 8,844 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total on-balance sheet financial assets within the scope of ECL requirements | 747,477 | 729,762 | 15,948 | 1,767 | (969) | (161) | (160) | (647) |
| | | Total exposure | | | ECL provisions | | | |
| Off-balance sheet (within the scope of ECL) | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 |
| Guarantees | 20,972 | 19,695 | 1,127 | 150 | (41) | (18) | (8) | (15) |
| <i>of which: Large corporate clients</i> | 3,464 | 2,567 | 793 | 104 | (6) | (3) | (3) | 0 |
| <i>of which: SME clients</i> | 1,353 | 1,143 | 164 | 46 | (8) | (1) | (1) | (7) |
| <i>of which: Financial intermediaries and hedge funds</i> | 9,575 | 9,491 | 84 | 0 | (17) | (13) | (4) | 0 |
| <i>of which: Lombard</i> | 2,454 | 2,454 | 0 | 0 | (1) | 0 | 0 | (1) |
| <i>of which: Commodity trade finance</i> | 3,137 | 3,137 | 0 | 0 | (1) | (1) | 0 | 0 |
| Irrevocable loan commitments | 39,478 | 37,097 | 2,335 | 46 | (114) | (72) | (42) | 0 |
| <i>of which: Large corporate clients</i> | 23,922 | 21,811 | 2,102 | 9 | (100) | (66) | (34) | 0 |
| Forward starting reverse repurchase and securities borrowing agreements | 1,444 | 1,444 | 0 | 0 | 0 | 0 | 0 | 0 |
| Committed unconditionally revocable credit lines | 42,373 | 39,802 | 2,508 | 63 | (38) | (28) | (10) | 0 |
| <i>of which: Real estate financing</i> | 7,328 | 7,046 | 281 | 0 | (5) | (4) | (1) | 0 |
| <i>of which: Large corporate clients</i> | 5,358 | 4,599 | 736 | 23 | (7) | (4) | (3) | 0 |
| <i>of which: SME clients</i> | 5,160 | 4,736 | 389 | 35 | (15) | (11) | (3) | 0 |
| <i>of which: Lombard</i> | 8,670 | 8,670 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>of which: Credit cards</i> | 9,466 | 9,000 | 462 | 4 | (6) | (5) | (2) | 0 |
| <i>of which: Commodity trade finance</i> | 117 | 117 | 0 | 0 | 0 | 0 | 0 | 0 |
| Irrevocable committed prolongation of existing loans | 5,611 | 5,527 | 36 | 48 | (3) | (3) | 0 | 0 |
| Total off-balance sheet financial instruments and credit lines | 109,878 | 103,565 | 6,006 | 307 | (196) | (121) | (60) | (15) |
| Total allowances and provisions | | | | | (1,165) | (282) | (220) | (662) |

¹ The carrying amount of financial assets measured at amortized cost represents the total gross exposure net of the respective ECL allowances.

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

Coverage ratios are calculated for the core loan portfolio by taking ECL allowances and provisions divided by the gross carrying amount of the exposures. Core loan exposure is defined as the sum of *Loans and advances to customers* and *Loans to financial advisors*.

These ratios are influenced by the following key factors:

- Lombard loans are generally secured with marketable securities in portfolios that are, as a rule, highly diversified, with strict lending policies that are intended to ensure that credit risk is minimal under most circumstances;
- mortgage loans to private clients and real estate financing are controlled by conservative eligibility criteria, including low loan-to-value ratios and strong debt service capabilities;
- the amount of unsecured retail lending (including credit cards) is insignificant;
- lending in Switzerland includes government-backed COVID-19 loans;
- contractual maturities in the loan portfolio, which are a factor in the calculation of ECLs, are generally short, with Lombard lending typically having average contractual maturities of 12 months or less, real estate lending generally between two and three years in Switzerland, with long dated maturities in the US, and corporate lending between one and two years with related loan commitments up to four years; and
- write-offs of ECL allowances against the gross loan balances when all or part of a financial asset is deemed uncollectible or forgiven, reduces the coverage ratios.

The total combined on- and off-balance sheet coverage ratio was at 21 basis points as of 31 December 2022, 1 basis point lower than on 31 December 2021. The combined stage 1 and 2 ratio of 10 basis points was unchanged compared with 31 December 2021; the stage 3 ratio was 22%, 2 percentage points lower than as of 31 December 2021.

| | Gross carrying amount (USD m) | | | | ECL coverage (bps) | | | | |
|--|-------------------------------|----------------|---------------|--------------|--------------------|-----------|------------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| On-balance sheet | | | | | | | | | |
| Private clients with mortgages | 157,091 | 147,678 | 8,686 | 727 | 10 | 2 | 123 | 9 | 381 |
| Real estate financing | 46,511 | 43,129 | 3,372 | 9 | 9 | 4 | 70 | 9 | 232 |
| Total real estate lending | 203,602 | 190,807 | 12,059 | 736 | 10 | 2 | 108 | 9 | 379 |
| Large corporate clients | 12,356 | 10,757 | 1,204 | 395 | 105 | 22 | 120 | 32 | 2,325 |
| SME clients | 14,154 | 12,237 | 1,364 | 553 | 177 | 22 | 161 | 36 | 3,664 |
| Total corporate lending | 26,510 | 22,994 | 2,567 | 949 | 144 | 22 | 142 | 34 | 3,106 |
| Lombard | 132,313 | 132,205 | 0 | 108 | 2 | 1 | 0 | 1 | 1,580 |
| Credit cards | 1,869 | 1,427 | 393 | 50 | 190 | 46 | 256 | 91 | 3,779 |
| Commodity trade finance | 3,367 | 3,266 | 0 | 101 | 285 | 18 | 0 | 18 | 8,901 |
| Other loans and advances to customers | 23,149 | 22,333 | 748 | 68 | 18 | 6 | 38 | 7 | 3,769 |
| Loans to financial advisors | 2,670 | 2,364 | 130 | 176 | 221 | 28 | 124 | 33 | 2,870 |
| Total other lending | 163,368 | 161,595 | 1,270 | 503 | 16 | 3 | 114 | 3 | 4,016 |
| Total¹ | 393,480 | 375,396 | 15,896 | 2,188 | 21 | 4 | 114 | 8 | 2,398 |
| | | | | | | | | | |
| | | | | | | | | | |
| Off-balance sheet | | | | | | | | | |
| Private clients with mortgages | 6,535 | 6,296 | 236 | 3 | 5 | 4 | 18 | 4 | 1,183 |
| Real estate financing | 10,054 | 9,779 | 275 | 0 | 6 | 7 | 0 | 6 | 0 |
| Total real estate lending | 16,589 | 16,075 | 511 | 3 | 6 | 6 | 2 | 6 | 1,288 |
| Large corporate clients | 32,126 | 28,950 | 3,013 | 163 | 38 | 18 | 165 | 32 | 1,263 |
| SME clients | 7,122 | 6,525 | 499 | 98 | 47 | 30 | 214 | 43 | 304 |
| Total corporate lending | 39,247 | 35,475 | 3,513 | 260 | 40 | 20 | 172 | 34 | 903 |
| Lombard | 12,919 | 12,918 | 0 | 1 | 2 | 1 | 0 | 1 | 0 |
| Credit cards | 9,390 | 8,900 | 487 | 3 | 7 | 5 | 36 | 7 | 0 |
| Commodity trade finance | 2,459 | 2,459 | 0 | 0 | 3 | 3 | 0 | 3 | 0 |
| Financial intermediaries and hedge funds | 18,128 | 16,464 | 1,664 | 0 | 7 | 6 | 25 | 7 | 0 |
| Other off-balance sheet commitments | 11,803 | 11,454 | 346 | 3 | 11 | 8 | 68 | 9 | 0 |
| Total other lending | 54,700 | 52,195 | 2,498 | 7 | 6 | 5 | 33 | 6 | 0 |
| Total² | 110,537 | 103,745 | 6,522 | 270 | 18 | 10 | 106 | 16 | 980 |
| Total on- and off-balance sheet³ | 504,016 | 479,140 | 22,418 | 2,458 | 21 | 5 | 112 | 10 | 2,242 |

¹ Includes Loans and advances to customers and Loans to financial advisors which are presented on the balance sheet line Other assets measured at amortized cost. ² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance-sheet exposure, gross and off-balance-sheet exposure (notional) and the related ECL coverage ratio.

Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement (continued)

31.12.21

| On-balance sheet | Gross carrying amount (USD m) | | | | ECL coverage (bps) | | | | |
|---------------------------------------|-------------------------------|----------------|---------------|--------------|--------------------|----------|-----------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 152,610 | 143,533 | 8,333 | 744 | 9 | 2 | 85 | 6 | 446 |
| Real estate financing | 44,004 | 40,483 | 3,512 | 10 | 14 | 5 | 114 | 14 | 231 |
| Total real estate lending | 196,615 | 184,016 | 11,845 | 754 | 10 | 3 | 94 | 8 | 443 |
| Large corporate clients | 14,161 | 12,665 | 1,053 | 443 | 120 | 18 | 148 | 28 | 2,997 |
| SME clients | 14,263 | 12,095 | 1,507 | 661 | 182 | 16 | 103 | 25 | 3,402 |
| Total corporate lending | 28,424 | 24,760 | 2,560 | 1,104 | 151 | 17 | 121 | 26 | 3,240 |
| Lombard | 149,316 | 149,261 | 0 | 55 | 2 | 0 | 0 | 0 | 5,026 |
| Credit cards | 1,752 | 1,355 | 351 | 46 | 204 | 72 | 255 | 109 | 3,735 |
| Commodity trade finance | 3,927 | 3,805 | 7 | 115 | 290 | 15 | 3 | 15 | 9,388 |
| Other loans and advances to customers | 19,510 | 18,425 | 1,010 | 75 | 23 | 9 | 15 | 9 | 3,730 |
| Loans to financial advisors | 2,539 | 2,203 | 109 | 226 | 338 | 88 | 303 | 99 | 2,791 |
| Total other lending | 177,043 | 175,049 | 1,477 | 517 | 18 | 3 | 93 | 4 | 4,718 |
| Total¹ | 402,081 | 383,825 | 15,882 | 2,374 | 23 | 4 | 98 | 8 | 2,673 |

| Off-balance sheet | Gross exposure (USD m) | | | | ECL coverage (bps) | | | | |
|--|------------------------|----------------|---------------|--------------|--------------------|-----------|------------|-----------|--------------|
| | Total | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 1&2 | Stage 3 |
| Private clients with mortgages | 9,123 | 8,798 | 276 | 49 | 3 | 3 | 9 | 3 | 15 |
| Real estate financing | 8,766 | 8,481 | 285 | 0 | 9 | 7 | 88 | 9 | 0 |
| Total real estate lending | 17,889 | 17,278 | 562 | 49 | 6 | 5 | 49 | 6 | 15 |
| Large corporate clients | 32,748 | 28,981 | 3,630 | 136 | 34 | 25 | 110 | 35 | 1 |
| SME clients | 8,077 | 7,276 | 688 | 114 | 38 | 19 | 151 | 30 | 585 |
| Total corporate lending | 40,826 | 36,258 | 4,318 | 250 | 35 | 24 | 117 | 34 | 266 |
| Lombard | 14,438 | 14,438 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| Credit cards | 9,466 | 9,000 | 462 | 4 | 7 | 5 | 34 | 7 | 0 |
| Commodity trade finance | 3,262 | 3,262 | 0 | 0 | 4 | 4 | 0 | 4 | 0 |
| Financial intermediaries and hedge funds | 13,747 | 13,379 | 369 | 0 | 13 | 10 | 120 | 13 | 0 |
| Other off-balance sheet commitments | 8,806 | 8,507 | 296 | 4 | 15 | 6 | 30 | 7 | 0 |
| Total other lending | 49,720 | 48,585 | 1,127 | 8 | 8 | 5 | 61 | 7 | 0 |
| Total² | 108,434 | 102,121 | 6,006 | 307 | 18 | 12 | 100 | 17 | 486 |
| Total on- and off-balance sheet³ | 510,516 | 485,946 | 21,888 | 2,681 | 22 | 5 | 99 | 9 | 2,423 |

¹ Includes Loans and advances to customers and Loans to financial advisors which are presented on the balance sheet line Other assets measured at amortized cost. ² Excludes Forward starting reverse repurchase and securities borrowing agreements. ³ Includes on-balance-sheet exposure, gross and off-balance-sheet exposure (notional) and the related ECL coverage ratio.

Note 10 Derivative instruments

Overview

Over-the-counter (OTC) derivative contracts are usually traded under a standardized International Swaps and Derivatives Association (ISDA) master agreement or other recognized local industry-standard master agreements between UBS AG and its counterparties. Terms are negotiated directly with counterparties and the contracts have industry-standard settlement mechanisms prescribed by ISDA or similar industry-standard solutions. Other OTC derivatives are cleared through clearing houses, in particular interest rate swaps with LCH, where a settled-to-market method has been generally adopted, under which cash collateral exchanged on a daily basis is considered to legally settle the market value of the derivatives. Regulators in various jurisdictions have introduced rules requiring the payment and collection of initial and variation margins on certain OTC derivative contracts, which may have a bearing on price and other relevant terms.

Exchange-traded derivatives (ETD) are standardized in terms of their amounts and settlement dates, and are bought and sold on regulated exchanges. Exchanges offer the benefits of pricing transparency, standardized daily settlement of changes in value and, consequently, reduced credit risk.

Most of UBS AG's derivative transactions relate to sales and market-making activity. Sales activities include the structuring and marketing of derivative products to customers to enable them to take, transfer, modify or reduce current or expected risks. Market-making aims to directly support the facilitation and execution of client activity, and involves quoting bid and offer prices to other market participants with the aim of generating revenues based on spread and volume. UBS AG also uses various derivative instruments for hedging purposes.

- › Refer to Notes 15 and 20 for more information about derivative instruments
- › Refer to Note 25 for more information about derivatives designated in hedge accounting relationships

Note 10 Derivative instruments (continued)

Risks of derivative instruments

The derivative financial assets shown on the balance sheet can be an important component of UBS AG's credit exposure; however, the positive replacement values related to a respective counterparty are rarely an adequate reflection of UBS AG's credit exposure in its derivatives business with that counterparty. This is generally the case because, on the one hand, replacement values can increase over time (potential future exposure), while, on the other hand, exposure may be mitigated by entering into master netting agreements and bilateral collateral arrangements. Both the exposure measures used internally by UBS AG to control credit risk and the capital requirements imposed by regulators reflect these additional factors.

- › Refer to Note 21 for more information about derivative financial assets and liabilities after consideration of netting potential permitted under enforceable netting arrangements
- › Refer to the "Risk management and control" section of this report for more information about the risks arising from derivative instruments

Derivative instruments

| | 31.12.22 | | | | | 31.12.21 | | | | |
|--|-----------------------------|--|----------------------------------|---|---------------------------------------|-----------------------------|--|----------------------------------|---|---------------------------------------|
| | Derivative financial assets | Notional amounts related to derivative financial assets ^{2,3} | Derivative financial liabilities | Notional amounts related to derivative financial liabilities ^{2,3} | Other notional amounts ^{2,4} | Derivative financial assets | Notional amounts related to derivative financial assets ^{2,3} | Derivative financial liabilities | Notional amounts related to derivative financial liabilities ^{2,3} | Other notional amounts ^{2,4} |
| <i>USD bn</i> | | | | | | | | | | |
| Interest rate contracts | 39.8 | 1,057.4 | 37.5 | 1,022.9 | 11,255.4 | 33.2 | 991.2 | 28.7 | 943.1 | 8,675.1 |
| of which: forwards (OTC) ¹ | 0.2 | 37.7 | 0.0 | 34.6 | 792.7 | 0.1 | 29.4 | 0.2 | 28.6 | 443.6 |
| of which: swaps (OTC) | 25.2 | 326.1 | 19.8 | 281.0 | 9,728.6 | 26.4 | 394.3 | 19.2 | 344.1 | 7,549.4 |
| of which: options (OTC) | 14.2 | 687.5 | 17.5 | 705.0 | | 6.6 | 545.2 | 9.2 | 553.6 | |
| of which: futures (ETD) | | | | | 606.3 | | | | | 525.0 |
| of which: options (ETD) | 0.0 | 6.1 | 0.0 | 2.2 | 127.7 | 0.0 | 22.4 | 0.0 | 16.8 | 157.1 |
| Credit derivative contracts | 1.0 | 36.8 | 1.2 | 37.1 | | 1.4 | 44.7 | 1.8 | 46.3 | |
| of which: credit default swaps (OTC) | 0.9 | 34.2 | 1.0 | 36.8 | | 1.3 | 39.4 | 1.6 | 44.1 | |
| of which: total return swaps (OTC) | 0.1 | 0.9 | 0.2 | 0.3 | | 0.1 | 1.3 | 0.2 | 1.7 | |
| Foreign exchange contracts | 85.5 | 3,087.3 | 88.5 | 2,992.7 | 40.1 | 53.3 | 3,031.0 | 54.1 | 2,938.8 | 1.2 |
| of which: forwards (OTC) | 26.5 | 853.6 | 28.6 | 910.2 | | 23.8 | 1,009.1 | 23.8 | 1,043.2 | |
| of which: swaps (OTC) | 49.6 | 1,679.3 | 50.4 | 1,553.7 | 38.4 | 24.3 | 1,606.4 | 24.9 | 1,480.3 | |
| of which: options (OTC) | 9.3 | 551.6 | 9.2 | 521.6 | | 5.2 | 412.6 | 5.3 | 408.6 | |
| Equity contracts | 22.2 | 384.5 | 26.1 | 501.3 | 63.4 | 28.2 | 456.9 | 34.9 | 603.9 | 80.1 |
| of which: swaps (OTC) | 5.3 | 95.5 | 6.6 | 122.0 | | 4.7 | 105.7 | 9.3 | 154.8 | |
| of which: options (OTC) | 2.8 | 51.6 | 4.4 | 89.0 | | 4.6 | 61.4 | 6.5 | 102.3 | |
| of which: futures (ETD) | | | | | 52.2 | | | | | 71.2 |
| of which: options (ETD) | 9.0 | 237.0 | 8.1 | 289.7 | 11.2 | 10.2 | 289.6 | 9.8 | 346.3 | 8.8 |
| of which: client-cleared transactions (ETD) | 5.1 | | 7.0 | | | 8.6 | | 9.4 | | |
| Commodity contracts | 1.4 | 68.1 | 1.4 | 64.2 | 17.6 | 1.6 | 57.8 | 1.6 | 56.4 | 14.7 |
| of which: swaps (OTC) | 0.5 | 19.3 | 0.7 | 19.3 | | 0.5 | 19.9 | 0.8 | 25.4 | |
| of which: options (OTC) | 0.4 | 15.8 | 0.3 | 13.3 | | 0.4 | 14.0 | 0.2 | 10.4 | |
| of which: futures (ETD) | | | | | 16.4 | | | | | 13.9 |
| of which: forwards (ETD) | 0.0 | 24.5 | 0.0 | 23.2 | | 0.0 | 18.1 | 0.0 | 15.2 | |
| of which: client-cleared transactions (ETD) | 0.2 | | 0.3 | | | 0.6 | | 0.4 | | |
| Loan commitments measured at FVTPL (OTC) | 0.0 | 0.9 | 0.0 | 3.7 | | 0.0 | 0.8 | 0.0 | 8.2 | |
| Unsettled purchases of non-derivative financial instruments⁵ | 0.1 | 12.1 | 0.1 | 9.4 | | 0.1 | 13.3 | 0.2 | 10.6 | |
| Unsettled sales of non-derivative financial instruments⁵ | 0.1 | 13.0 | 0.0 | 10.7 | | 0.2 | 18.2 | 0.1 | 9.4 | |
| Total derivative instruments, based on IFRS netting⁶ | 150.1 | 4,660.1 | 154.9 | 4,642.0 | 11,376.5 | 118.1 | 4,614.0 | 121.3 | 4,616.6 | 8,771.1 |

1 Includes certain forward starting repurchase and reverse repurchase agreements that are classified as measured at fair value through profit or loss and are recognized within derivative instruments. 2 In cases where derivative financial instruments are presented on a net basis on the balance sheet, the respective notional amounts of the netted derivative financial instruments are still presented on a gross basis. 3 Notional amounts of client-cleared ETD and OTC transactions through central clearing counterparties are not disclosed, as they have significantly different risk profile. 4 Other notional amounts relate to derivatives that are cleared through either a central counterparty or an exchange. The fair value of these derivatives is presented on the balance sheet net of the corresponding cash margin under Cash collateral receivables on derivative instruments and Cash collateral payables on derivative instruments and was not material for any of the periods presented. 5 Changes in the fair value of purchased and sold non-derivative financial instruments between trade date and settlement date are recognized as derivative financial instruments. 6 Derivative financial assets and liabilities are presented net on the balance sheet if UBS AG has the unconditional and legally enforceable right to offset the recognized amounts, both in the normal course of business and in the event of default, bankruptcy or insolvency of the entity and all of the counterparties, and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Refer to Note 21 for more information on netting arrangements.

Note 10 Derivative instruments (continued)

On a notional amount basis, approximately 46% of OTC interest rate contracts held as of 31 December 2022 (31 December 2021: 40%) mature within one year, 32% (31 December 2021: 36%) within one to five years and 22% (31 December 2021: 25%) after five years.

Notional amounts of interest rate contracts cleared through either a central counterparty or an exchange that are legally settled or economically net settled on a daily basis are presented under *Other notional amounts* in the table above and are categorized into maturity buckets on the basis of contractual maturities of the cleared underlying derivative contracts. Other notional amounts related to interest rate contracts increased by USD 2.6trn compared with 31 December 2021, mainly reflecting higher business volumes driven by elevated interest rate volatility and inflation, partly offset by compression activity.

Note 11 Property, equipment and software

At historical cost less accumulated depreciation

| <i>USD m</i> | Owned properties and equipment ¹ | Leased properties and equipment ² | Software | Projects in progress | 2022 ³ | 2021 ³ |
|--|---|--|--------------|--------------------------|-------------------|-------------------|
| Historical cost | | | | | | |
| Balance at the beginning of the year | 11,494 | 3,994 | 7,924 | 1,130 | 24,542 | 23,785 |
| Additions | 90 ¹ | 380 | 330 | 1,059 | 1,859 | 1,789 |
| Disposals / write-offs ⁴ | (284) | (48) | (81) | 0 | (414) | (632) |
| Reclassifications | (796) | 0 | 1,052 | (1,150) | (894) | (18) |
| Foreign currency translation | (152) | (50) | (5) | 7 | (200) | (381) |
| Balance at the end of the year | 10,352 | 4,275 | 9,220 | 1,046 | 24,893 | 24,542 |
| Accumulated depreciation | | | | | | |
| Balance at the beginning of the year | 7,178 | 1,272 | 4,380 | | 12,830 | 11,827 |
| Depreciation | 463 | 430 | 926 | | 1,819 | 1,835 |
| Impairment ⁵ | 2 | 0 | 0 | | 2 | 9 |
| Disposals / write-offs ⁴ | (283) | (45) | (81) | | (410) | (619) |
| Reclassifications | (565) | (1) | 0 | | (566) | (12) |
| Foreign currency translation | (98) | (18) | 17 | | (99) | (210) |
| Balance at the end of the year | 6,697 | 1,638 | 5,242 | | 13,577 | 12,830 |
| Net book value | | | | | | |
| Net book value at the beginning of the year | 4,316 | 2,722 | 3,544 | 1,130 | 11,712 | 11,958 |
| Net book value at the end of the year | 3,655 | 2,637 | 3,978 | 1,046⁶ | 11,316 | 11,712 |

¹ Includes leasehold improvements and IT hardware. ² Represents right-of-use assets recognized by UBS AG as lessee. UBS AG predominantly enters into lease contracts, or contracts that include lease components, in relation to real estate, including offices, retail branches and sales offices. The total cash outflow for leases during 2022 was USD 589m (2021: USD 632m). Interest expense on lease liabilities is included within Interest expense from financial instruments measured at amortized cost and Lease liabilities are included within Other financial liabilities measured at amortized cost. Refer to Notes 3 and 18a, respectively. There were no material gains or losses arising from sale-and-leaseback transactions in 2022 and in 2021. ³ The total reclassification amount for the respective periods represents net reclassifications to Properties and other non-current assets held for sale. ⁴ Includes write-offs of fully depreciated assets. ⁵ Impairment charges recorded in 2022 generally relate to assets that are no longer used, for which the recoverable amount based on a value in use approach was determined to be zero. ⁶ Consists of USD 858m related to software and USD 188m related to Owned properties and equipment.

Note 12 Goodwill and intangible assets

Introduction

UBS AG performs an impairment test on its goodwill assets on an annual basis or when indicators of impairment exist.

UBS AG considers Asset Management, as it is reported in Note 2a, as a separate cash-generating unit (a CGU), as that is the level at which the performance of investment (and the related goodwill) is reviewed and assessed by management. Given that a significant amount of goodwill in Global Wealth Management relates to the PaineWebber acquisition in 2000, which mainly affected the Americas portion of the business, this goodwill remains separately monitored by the Americas, despite the formation of Global Wealth Management in 2018. Therefore, goodwill for Global Wealth Management is separately considered for impairment at the level of two CGUs: Americas; and Switzerland and International (consisting of EMEA, Asia Pacific and Global).

The impairment test is performed for each CGU to which goodwill is allocated by comparing the recoverable amount with the carrying amount of the respective CGU. UBS AG determines the recoverable amount of the respective CGUs based on their value in use. An impairment charge is recognized if the carrying amount exceeds the recoverable amount.

Note 12 Goodwill and intangible assets (continued)

As of 31 December 2022, total goodwill recognized on the balance sheet was USD 6.0bn, of which USD 3.7bn was carried by the Global Wealth Management Americas CGU, USD 1.2bn was carried by the Global Wealth Management Switzerland and International CGU, and USD 1.2bn was carried by Asset Management. Based on the impairment testing methodology described below, UBS AG concluded that the goodwill balances as of 31 December 2022 allocated to these CGUs were not impaired.

Methodology for goodwill impairment testing

The recoverable amounts are determined using a discounted cash flow model, which has been adapted to use inputs that consider features of the banking business and its regulatory environment. The recoverable amount of a CGU is the sum of the discounted earnings attributable to shareholders from the first three forecast years and the terminal value, adjusted for the effect of the capital assumed to be needed over the next three years and to support growth beyond that period. The terminal value, which covers all periods beyond the third year, is calculated on the basis of the forecast of the third-year profit, the discount rate and the long-term growth rate, as well as the implied perpetual capital growth.

The carrying amount for each CGU is determined by reference to UBS's equity attribution framework. Within this framework, which is described in the "Capital, liquidity and funding, and balance sheet" section of this report, UBS attributes equity to the businesses on the basis of their risk-weighted assets and leverage ratio denominator (both metrics include resource allocations from Group Functions to the business divisions), their goodwill and their intangible assets, as well as attributed equity related to certain common equity tier 1 deduction items. The framework is primarily used for the purpose of measuring the performance of the businesses and includes certain management assumptions. Attributed equity is equal to the capital a CGU requires to conduct its business and is currently considered a reasonable approximation of the carrying amount of the CGUs. The attributed equity methodology is also applied in the business planning process, the inputs from which are used in calculating the recoverable amounts of the respective CGU.

- › Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the equity attribution framework

Assumptions

Valuation parameters used within UBS AG's impairment test model are linked to external market information, where applicable. The model used to determine the recoverable amount is most sensitive to changes in the forecast earnings available to shareholders in years one to three, to changes in the discount rates and to changes in the long-term growth rate. The applied long-term growth rate is based on long-term economic growth rates for different regions worldwide. Earnings available to shareholders are estimated on the basis of forecast results, which are part of the business plan approved by the Board of Directors.

The discount rates are determined by applying a capital asset pricing model-based approach, as well as considering quantitative and qualitative inputs from both internal and external analysts and the view of management. They also take into account regional differences in risk-free rates at the level of the individual CGUs. In line with discount rates, long-term growth rates are determined at the regional level based on nominal GDP growth rate forecasts.

Key assumptions used to determine the recoverable amounts of each CGU are tested for sensitivity by applying a reasonably possible change to those assumptions. Forecast earnings available to shareholders were changed by 20%, the discount rates were changed by 1.5 percentage points, and the long-term growth rates were changed by 0.75 percentage points. Under all scenarios, reasonably possible changes in key assumptions did not result in an impairment of goodwill or intangible assets reported by Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management.

If the estimated earnings and other assumptions in future periods deviate from the current outlook, the value of goodwill attributable to Global Wealth Management Americas, Global Wealth Management Switzerland and International, and Asset Management may become impaired in the future, giving rise to losses in the income statement. Recognition of any impairment of goodwill would reduce International Financial Reporting Standards equity and net profit. It would not affect cash flows and, as goodwill is required to be deducted from capital under the Basel III capital framework, no effect would be expected on UBS AG's capital ratios.

Discount and growth rates

| In % | Discount rates | | Growth rates | |
|--|----------------|----------|--------------|----------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Global Wealth Management Americas | 10.5 | 9.5 | 3.8 | 4.0 |
| Global Wealth Management Switzerland and International | 9.4 | 8.5 | 3.6 | 3.1 |
| Asset Management | 9.5 | 8.5 | 3.4 | 2.9 |

Note 12 Goodwill and intangible assets (continued)

| USD m | Goodwill | Intangible assets ¹ | 2022 | 2021 |
|---|----------|--------------------------------|-------|-------|
| Historical cost | | | | |
| Balance at the beginning of the year | 6,126 | 1,612 | 7,739 | 7,865 |
| Additions | 0 | 0 | 0 | 1 |
| Disposals ² | (22) | 0 | (22) | (3) |
| Write-offs | 0 | 0 | 0 | (41) |
| Foreign currency translation | (61) | (14) | (76) | (83) |
| Balance at the end of the year | 6,043 | 1,598 | 7,641 | 7,739 |
| Accumulated amortization and impairment | | | | |
| Balance at the beginning of the year | | 1,360 | 1,360 | 1,385 |
| Amortization | | 26 | 26 | 31 |
| Impairment / (reversal of impairment) | | (1) | (1) | (1) |
| Write-offs | | 0 | 0 | (41) |
| Foreign currency translation | | (11) | (11) | (13) |
| Balance at the end of the year | | 1,374 | 1,374 | 1,360 |
| Net book value at the end of the year | 6,043 | 224 | 6,267 | 6,378 |
| <i>of which: Global Wealth Management Americas</i> | 3,709 | 31 | 3,740 | 3,760 |
| <i>of which: Global Wealth Management Switzerland and International</i> | 1,166 | 59 | 1,225 | 1,276 |
| <i>of which: Asset Management</i> | 1,167 | 0 | 1,167 | 1,202 |
| <i>of which: Investment Bank</i> | 0 | 135 | 135 | 139 |

¹ Intangible assets mainly include customer relationships, contractual rights and the fully amortized branch network intangible asset recognized in connection with the acquisition of PaineWebber Group, Inc. ² Reflects the derecognition of goodwill allocated to businesses that have been disposed of, in accordance with IAS 36 requirements.

The table below presents estimated aggregated amortization expenses for intangible assets.

| USD m | Intangible assets |
|--|-------------------|
| Estimated aggregated amortization expenses for: | |
| 2023 | 26 |
| 2024 | 24 |
| 2025 | 23 |
| 2026 | 23 |
| 2027 | 22 |
| Thereafter | 104 |
| Not amortized due to indefinite useful life | 2 |
| Total | 224 |

Note 13 Other assets

a) Other financial assets measured at amortized cost

| USD m | 31.12.22 | 31.12.21 |
|--|---------------|----------|
| Debt securities | 44,594 | 18,858 |
| Loans to financial advisors | 2,611 | 2,453 |
| Fee- and commission-related receivables | 1,803 | 1,966 |
| Finance lease receivables | 1,314 | 1,356 |
| Settlement and clearing accounts | 1,174 | 455 |
| Accrued interest income | 1,276 | 521 |
| Other | 618 | 627 |
| Total other financial assets measured at amortized cost | 53,389 | 26,236 |

Debt securities increased by USD 25.7bn compared with 31 December 2021, largely reflecting shifts from cash into securities within UBS's high-quality liquid asset portfolio as spreads widened. In addition, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost in 2022.

› Refer to Note 1b for more information

Note 13 Other assets (continued)

b) Other non-financial assets

| USD m | 31.12.22 | 31.12.21 |
|---|--------------|--------------|
| Precious metals and other physical commodities | 4,471 | 5,258 |
| Deposits and collateral provided in connection with litigation, regulatory and similar matters ¹ | 2,205 | 1,526 |
| Prepaid expenses | 709 | 717 |
| VAT, withholding tax and other tax receivables | 1,405 | 591 |
| Properties and other non-current assets held for sale | 279 | 32 |
| Assets of disposal group held for sale ² | | 1,093 |
| Other | 583 | 618 |
| Total other non-financial assets | 9,652 | 9,836 |

¹ Refer to Note 17 for more information. ² Refer to Note 29 for more information.

Note 14 Customer deposits, and funding from UBS Group AG

a) Customer deposits

| USD m | 31.12.22 | 31.12.21 |
|--------------------------------|----------------|----------------|
| Demand deposits | 182,307 | 247,299 |
| Retail savings / deposits | 149,310 | 133,354 |
| Sweep deposits | 69,223 | 113,870 |
| Time deposits ¹ | 126,331 | 50,312 |
| Total customer deposits | 527,171 | 544,834 |

¹ Includes customer deposits in UBS AG Jersey Branch placed by UBS Switzerland AG on behalf of its clients.

Increases in interest rates during the year resulted in significant shifts from demand deposits to time deposits.

b) Funding from UBS Group AG measured at amortized cost

| USD m | 31.12.22 | 31.12.21 |
|--|---------------|---------------|
| Senior unsecured debt that contributes to total loss-absorbing capacity (TLAC) | 42,073 | 38,984 |
| Senior unsecured debt other than TLAC | 236 | 4,471 |
| Subordinated debt | 13,838 | 13,840 |
| <i>of which: eligible as high-trigger loss-absorbing additional tier 1 capital instruments</i> | <i>10,654</i> | <i>11,414</i> |
| <i>of which: eligible as low-trigger loss-absorbing additional tier 1 capital instruments</i> | <i>1,187</i> | <i>2,426</i> |
| Total funding from UBS Group AG measured at amortized cost¹ | 56,147 | 57,295 |

¹ UBS AG has also recognized funding from UBS Group AG that is designated at fair value. Refer to Note 18b for more information.

UBS AG uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, UBS AG applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 25. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of *Funding from UBS Group AG measured at amortized cost* was a decrease of USD 5.1bn as of 31 December 2022 and an increase of USD 0.2bn as of 31 December 2021, reflecting changes in fair value due to interest rate movements.

Subordinated debt consists of unsecured debt obligations that are contractually subordinated in right of payment to all other present and future non-subordinated obligations of the respective issuing entity. All of the subordinated debt instruments outstanding as of 31 December 2022 pay a fixed rate of interest.

› Refer to Note 23 for maturity information

Note 15 Debt issued designated at fair value

| USD m | 31.12.22 | 31.12.21 |
|--|---------------|---------------|
| Issued debt instruments | | |
| Equity-linked ¹ | 41,901 | 47,059 |
| Rates-linked | 16,276 | 16,369 |
| Credit-linked | 2,170 | 1,723 |
| Fixed-rate | 6,538 | 2,868 |
| Commodity-linked | 4,294 | 2,911 |
| Other | 663 | 529 |
| Total debt issued designated at fair value | 71,842 | 71,460 |
| <i>of which: issued by UBS AG with original maturity greater than one year²</i> | <i>57,750</i> | <i>57,967</i> |

¹ Includes investment fund unit-linked instruments issued. ² Based on original contractual maturity without considering any early redemption features. As of 31 December 2022, 100% of the balance was unsecured (31 December 2021: 100%).

Note 16 Debt issued measured at amortized cost

| USD m | 31.12.22 | 31.12.21 |
|--|---------------|---------------|
| Short-term debt¹ | 29,676 | 43,098 |
| Senior unsecured debt | 17,892 | 23,328 |
| <i>of which: issued by UBS AG with original maturity greater than one year</i> | <i>17,892</i> | <i>23,307</i> |
| Covered bonds | 0 | 1,389 |
| Subordinated debt | 2,968 | 5,163 |
| <i>of which: eligible as low-trigger loss-absorbing tier 2 capital instruments</i> | <i>2,422</i> | <i>2,596</i> |
| <i>of which: eligible as non-BaseI III-compliant tier 2 capital instruments</i> | <i>536</i> | <i>547</i> |
| Debt issued through the Swiss central mortgage institutions | 8,962 | 9,454 |
| Long-term debt² | 29,823 | 39,334 |
| Total debt issued measured at amortized cost³ | 59,499 | 82,432 |

¹ Debt with an original contractual maturity of less than one year, includes mainly certificates of deposit and commercial paper. ² Debt with an original contractual maturity greater than or equal to one year. The classification of debt issued into short-term and long-term does not consider any early redemption features. ³ Net of bifurcated embedded derivatives, the fair value of which was not material for the periods presented.

UBS AG uses interest rate and foreign exchange derivatives to manage the risks inherent in certain debt instruments held at amortized cost. In some cases, UBS AG applies hedge accounting for interest rate risk as discussed in item 2j in Note 1a and Note 25. As a result of applying hedge accounting, the life-to-date adjustment to the carrying amount of debt issued was a decrease of USD 1.0bn as of 31 December 2022 and an increase of USD 0.3bn as of 31 December 2021, reflecting changes in fair value due to interest rate movements.

Subordinated debt consists of unsecured debt obligations that are contractually subordinated in right of payment to all other present and future non-subordinated obligations of the respective issuing entity. All of the subordinated debt instruments outstanding as of 31 December 2022 pay a fixed rate of interest.

› Refer to Note 23 for maturity information

Note 17 Provisions and contingent liabilities

a) Provisions

The table below presents an overview of total provisions.

| USD m | 31.12.22 | 31.12.21 |
|---|--------------|----------|
| Provisions other than provisions for expected credit losses | 2,982 | 3,256 |
| Provisions for expected credit losses ¹ | 201 | 196 |
| Total provisions | 3,183 | 3,452 |

¹ Refer to Note 9 for more information about ECL provisions recognized for off-balance sheet financial instruments and credit lines.

The following table presents additional information for provisions other than provisions for expected credit losses.

| USD m | Litigation, regulatory and similar matters ¹ | Restructuring | Other ³ | Total 2022 |
|---|---|-----------------------|--------------------|--------------|
| Balance at the beginning of the year | 2,798 | 137 | 321 | 3,256 |
| Increase in provisions recognized in the income statement | 406 | 174 | 49 | 629 |
| Release of provisions recognized in the income statement | (57) | (19) | (32) | (109) |
| Provisions used in conformity with designated purpose | (470) | (189) | (31) | (689) |
| Capitalized reinstatement costs | 0 | 0 | 1 | 1 |
| Foreign currency translation / unwind of discount | (90) | (5) | (11) | (106) |
| Balance at the end of the year | 2,586 | 98² | 297 | 2,982 |

¹ Consists of provisions for losses resulting from legal, liability and compliance risks. ² Consists of personnel-related restructuring provisions of USD 70m as of 31 December 2022 (31 December 2021: USD 90m) and provisions for onerous contracts of USD 28m as of 31 December 2022 (31 December 2021: USD 47m). ³ Mainly includes provisions related to real estate, employee benefits and operational risks.

Restructuring provisions relate to personnel-related provisions and onerous contracts. Personnel-related restructuring provisions are generally used within a short period of time. The level of personnel-related provisions can change when natural staff attrition reduces the number of people affected by a restructuring event, and therefore results in lower estimated costs. Onerous contracts for property are recognized when UBS is committed to pay for non-lease components, such as utilities, service charges, taxes and maintenance, when a property is vacated or not fully recovered from sub-tenants.

Information about provisions and contingent liabilities in respect of litigation, regulatory and similar matters, as a class, is included in Note 17b. There are no material contingent liabilities associated with the other classes of provisions.

b) Litigation, regulatory and similar matters

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

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

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in Note 17a above. It is not practicable to provide an aggregate estimate of liability for our litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although UBS therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions.

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

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining capital requirements. Information concerning our capital requirements and the calculation of operational risk for this purpose is included in the "Capital, liquidity and funding, and balance sheet" section of this report.

Note 17 Provisions and contingent liabilities (continued)

Provisions for litigation, regulatory and similar matters by business division and in Group Functions¹

| <i>USD m</i> | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total 2022 |
|---|--------------------------|------------------------------|------------------|-----------------|-----------------|--------------|
| Balance at the beginning of the year | 1,338 | 181 | 8 | 310 | 962 | 2,798 |
| Increase in provisions recognized in the income statement | 268 | 2 | 1 | 129 | 6 | 406 |
| Release of provisions recognized in the income statement | (23) | (15) | 0 | (8) | (12) | (57) |
| Provisions used in conformity with designated purpose | (331) | 0 | 0 | (115) | (23) | (470) |
| Reclassifications | 0 | 0 | 0 | 4 | (4) | 0 |
| Foreign currency translation / unwind of discount | (70) | (9) | 0 | (11) | 0 | (90) |
| Balance at the end of the year | 1,182 | 159 | 8 | 308 | 928 | 2,586 |

¹ Provisions, if any, for the matters described in items 3 and 4 of this Note are recorded in Global Wealth Management, and provisions, if any, for the matters described in item 2 are recorded in Group Functions. Provisions, if any, for the matters described in items 1 and 6 of this Note are allocated between Global Wealth Management and Personal & Corporate Banking, provisions, if any, for the matters described in item 5 are allocated between the Investment Bank and Group Functions, and provisions, if any, for the matters described in item 7 are allocated between Global Wealth Management and the Investment Bank.

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.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France in relation to UBS's cross-border business with French clients. In connection with this investigation, the investigating judges ordered UBS AG to provide bail ("caution") of EUR 1.1bn.

On 20 February 2019, the court of first instance returned a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS (France) S.A. guilty of aiding and abetting unlawful solicitation and of laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7bn on UBS AG and UBS (France) S.A. and awarded EUR 800m of civil damages to the French state. A trial in the French Court of Appeal took place in March 2021. On 13 December 2021, the Court of Appeal found UBS AG guilty of unlawful solicitation and aggravated laundering of the proceeds of tax fraud. The court ordered a fine of EUR 3.75m, the confiscation of EUR 1bn, and awarded civil damages to the French state of EUR 800m. UBS AG has filed an appeal with the French Supreme Court to preserve its rights. The notice of appeal enables UBS AG to thoroughly assess the verdict of the Court of Appeal and to determine next steps in the best interest of its stakeholders. The fine and confiscation imposed by the Court of Appeal are suspended during the appeal. The civil damages award has been paid to the French state (EUR 99m of which was deducted from the bail), subject to the result of UBS's appeal.

Our balance sheet at 31 December 2022 reflected provisions with respect to this matter in an amount of EUR 1.1bn (USD 1.2bn). The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty and the provision reflects our best estimate of possible financial implications, although actual penalties and civil damages could exceed (or may be less than) the provision amount.

Our balance sheet at 31 December 2022 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

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

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

In November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint in February 2019. In December 2019, the district court denied UBS's motion to dismiss.

Our balance sheet at 31 December 2022 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

Note 17 Provisions and contingent liabilities (continued)

3. Madoff

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

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees, seeking amounts totaling approximately EUR 2.1bn, 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 2bn. 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 125m of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims, and the US Supreme Court subsequently denied a petition seeking review of the Court of Appeals' decision. The case has been remanded to the Bankruptcy Court for further proceedings.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico (UBS PR) led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority.

Since then, UBS clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands seeking aggregate damages of USD 3.42bn, of which USD 3.37bn have been resolved through settlements, arbitration or withdrawal of claims. Allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2021, the parties reached an agreement to settle this matter for USD 15m, subject to court approval.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3bn of bonds by the System in 2008 and sought damages of over USD 800m. In 2016, the court granted the System's request to join the action as a plaintiff. In 2022, a federal district court enjoined the plaintiffs from proceeding with the action on the grounds it impermissibly conflicted with Puerto Rico's approved Plan of Adjustment.

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 125m in fees in the relevant offerings.

Note 17 Provisions and contingent liabilities (continued)

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of USD 955m in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. Defendants' motions to dismiss have been granted in all three cases; those decisions are being appealed by the plaintiffs.

Our balance sheet at 31 December 2022 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that we have recognized.

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

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. As a result of these investigations, UBS entered into resolutions with Swiss, US and United Kingdom regulators and the European Commission. UBS was granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141m 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. UBS and the other banks have reached an agreement in principle to resolve those individual matters.

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 March 2022, the court denied plaintiffs' motion for class certification.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. UBS was granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and the Swiss Competition Commission (WEKO), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

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

Note 17 Provisions and contingent liabilities (continued)

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims, and again dismissed the antitrust claims in 2016 following an appeal. In December 2021, the Second Circuit affirmed the district court's dismissal in part and reversed in part and remanded to the district court for further proceedings. The Second Circuit, among other things, held that there was personal jurisdiction over UBS and other foreign defendants based on allegations that at least one alleged co-conspirator undertook an overt act in the United States. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint in August 2019. In March 2020 the court granted defendants' motion to dismiss the complaint in its entirety. Plaintiffs have appealed the dismissal. In March 2022, the Second Circuit dismissed the appeal because appellants, who had been substituted in to replace the original plaintiffs who had withdrawn, lacked standing to pursue the appeal. In August 2020, an individual action was filed in the Northern District of California against UBS and numerous other banks alleging that the defendants conspired to fix the interest rate used as the basis for loans to consumers by jointly setting the USD LIBOR rate and monopolized the market for LIBOR-based consumer loans and credit cards. Defendants moved to dismiss the complaint in September 2021. In September 2022, the court granted defendants' motion to dismiss the complaint in its entirety, while allowing plaintiffs the opportunity to file an amended complaint. Plaintiffs filed an amended complaint in October 2022, and defendants have moved to dismiss the amended complaint in November 2022.

Other benchmark class actions in the US:

Yen LIBOR / Euroyen TIBOR – In 2014, 2015 and 2017, the court in one of the Yen LIBOR / Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including the plaintiffs' federal antitrust and racketeering claims. In August 2020, the court granted defendants' motion for judgment on the pleadings and dismissed the lone remaining claim in the action as impermissibly extraterritorial. In October 2022, the appeals court affirmed the dismissal on multiple grounds. In 2017, the court dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. In April 2020, the appeals court reversed the dismissal and in August 2020 plaintiffs in that action filed an amended complaint focused on Yen LIBOR. The court granted in part and denied in part defendants' motion to dismiss the amended complaint in September 2021. In August 2022, the court granted UBS's motion for reconsideration and dismissed the case against UBS.

CHF LIBOR – In 2017, the court dismissed the CHF LIBOR action on standing grounds and failure to state a claim. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in September 2019. Plaintiffs appealed. In September 2021, the Second Circuit granted the parties' joint motion to vacate the dismissal and remand the case for further proceedings. Plaintiffs filed a third amended complaint in November 2022 and defendants have moved to dismiss the amended complaint in January 2023.

EURIBOR – In 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs have appealed.

SIBOR / SOR – In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs filed an amended complaint, and the court granted a renewed motion to dismiss in July 2019. Plaintiffs appealed. In March 2021, the Second Circuit reversed the dismissal. Plaintiffs filed an amended complaint in October 2021, which defendants moved to dismiss in November 2021. In March 2022, plaintiffs reached a settlement in principle with the remaining defendants, including UBS. The court granted final approval of the settlement in November 2022.

BBSW – In November 2018, the court dismissed the BBSW lawsuit as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs filed an amended complaint in April 2019, which UBS and other defendants moved to dismiss in May 2019. In February 2020, the court granted in part and denied in part defendants' motions to dismiss the amended complaint. In August 2020, UBS and other BBSW defendants joined a motion for judgment on the pleadings, which the court denied in May 2021. In February 2022, plaintiffs reached a settlement in principle with the remaining defendants, including UBS. The court granted final approval of the settlement in November 2022.

GBP LIBOR – The court dismissed the GBP LIBOR action in August 2019. Plaintiffs have appealed.

Note 17 Provisions and contingent liabilities (continued)

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 were granted in March 2021. Plaintiffs filed an amended complaint, which defendants moved to dismiss in June 2021. In March 2022, the court granted defendants' motion to dismiss that complaint. Plaintiffs have appealed the dismissal. Similar class actions have been filed concerning European government bonds and other government bonds.

In May 2021, the European Commission issued a decision finding that UBS and six other banks breached European Union antitrust rules in 2007–2011 relating to European government bonds. The European Commission fined UBS EUR 172m. UBS is appealing the amount of the fine.

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, our balance sheet at 31 December 2022 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

6. Swiss retrocessions

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

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

Our balance sheet at 31 December 2022 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which we have established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that we have recognized.

7. Communications recordkeeping

The SEC and CFTC conducted investigations of UBS and other financial institutions regarding compliance with records preservation requirements relating to business communications sent over unapproved electronic messaging channels. UBS cooperated with the investigations, and, in September 2022, UBS agreed to pay civil monetary penalties of USD 125m to the SEC and USD 75m to the CFTC to resolve these matters.

Note 18 Other liabilities

a) Other financial liabilities measured at amortized cost

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|---------------|--------------|
| Other accrued expenses | 1,564 | 1,642 |
| Accrued interest expenses | 2,008 | 1,134 |
| Settlement and clearing accounts | 1,060 | 1,282 |
| Lease liabilities | 3,211 | 3,438 |
| Other | 2,549 | 2,269 |
| Total other financial liabilities measured at amortized cost | 10,391 | 9,765 |

b) Other financial liabilities designated at fair value

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|---------------|---------------|
| Financial liabilities related to unit-linked investment contracts | 13,221 | 21,466 |
| Securities financing transactions | 15,333 | 6,377 |
| Over-the-counter debt instruments and other | 1,684 | 2,231 |
| Funding from UBS Group AG | 1,796 | 2,340 |
| Total other financial liabilities designated at fair value | 32,033 | 32,414 |

c) Other non-financial liabilities

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|--------------|--------------|
| Compensation-related liabilities | 4,424 | 4,795 |
| <i>of which: financial advisor compensation plans</i> | <i>1,463</i> | <i>1,512</i> |
| <i>of which: other compensation plans</i> | <i>2,023</i> | <i>2,140</i> |
| <i>of which: net defined benefit liability</i> | <i>449</i> | <i>617</i> |
| <i>of which: other compensation-related liabilities¹</i> | <i>490</i> | <i>526</i> |
| Current tax liabilities | 1,044 | 1,365 |
| Deferred tax liabilities | 233 | 297 |
| VAT, withholding tax and other tax payables | 472 | 524 |
| Deferred income | 233 | 225 |
| Liabilities of disposal group held for sale ² | | 1,298 |
| Other | 84 | 68 |
| Total other non-financial liabilities | 6,489 | 8,572 |

¹ Includes liabilities for payroll taxes and untaken vacation. ² Refer to Note 29 for more information.

Additional information

Note 19 Expected credit loss measurement

a) Expected credit losses in the period

Total net credit loss expenses were USD 29m in 2022, reflecting net credit loss expenses of USD 29m related to stage 1 and 2 positions and USD 0m net credit loss expenses related to credit-impaired (stage 3) positions.

Stage 1 and 2 expected credit loss (ECL) expenses of USD 29m include USD 123m expenses related to scenario and parameter updates and USD 13m related to other book quality and size changes, partly offset by USD 77m post-model adjustment (PMA) releases and USD 30m releases related to model changes. Lending to corporate clients not secured by mortgages contributed USD 21m, mainly driven by scenario effects related to the downward revision of GDP and higher interest rate assumptions in the newly introduced *stagflationary geopolitical crisis scenario* (SGC). Lending secured by mortgages contributed USD 16m in expenses, mainly driven by scenario effects related to higher interest rate assumptions, especially from the SGC, and adverse house price assumptions from both applied downside scenarios. This was partly offset by releases from other lending of USD 9m.

› Refer to Note 19b for more information regarding changes to ECL models, scenarios, scenario weights and the post-model adjustment and to Note 19c for more information regarding the development of ECL allowances and provisions

Stage 3 net expenses of USD 0m were recognized across a number of defaulted positions, with net expenses of USD 12m in Personal and Corporate Banking and USD 5m in Global Wealth Management, offset by releases of USD 18m in the Investment Bank, including a USD 28m release for a single airline-related counterparty, mainly due to improved cashflow assumptions, and USD 10m net expenses across a number of defaulted positions.

Credit loss expense / (release)

| USD m | Global Wealth Management | Personal & Corporate Banking | Asset Management | Investment Bank | Group Functions | Total |
|--|--------------------------------|------------------------------------|---------------------|--------------------|--------------------|--------------|
| For the year ended 31.12.22 | | | | | | |
| Stages 1 and 2 | (5) | 27 | 0 | 6 | 1 | 29 |
| Stage 3 | 5 | 12 | 0 | (18) | 2 | 0 |
| Total credit loss expense / (release) | 0 | 39 | 0 | (12) | 3 | 29 |
| For the year ended 31.12.21 | | | | | | |
| Stages 1 and 2 | (28) | (62) | 0 | (34) | 0 | (123) |
| Stage 3 | (1) | (24) | 1 | 0 | 0 | (25) |
| Total credit loss expense / (release) | (29) | (86) | 1 | (34) | 0 | (148) |
| For the year ended 31.12.20 | | | | | | |
| Stages 1 and 2 | 48 | 129 | 0 | 88 | 0 | 266 |
| Stage 3 | 40 | 128 | 2 | 217 | 42 | 429 |
| Total credit loss expense / (release) | 88 | 257 | 2 | 305 | 42 | 695 |

Note 19 Expected credit loss measurement (continued)

b) Changes to ECL models, scenarios, scenario weights and key inputs

Refer to Note 1a for information about the principles governing expected credit loss (ECL) models, scenarios, scenario weights and key inputs applied.

Governance

Comprehensive cross-functional and cross-divisional governance processes are in place and are used to discuss and approve scenario updates and weights, to assess whether significant increases in credit risk resulted in stage transfers, to review model outputs and to reach conclusions regarding post-model adjustments.

Model changes

During 2022, the model review and enhancement process led to adjustments of the probability of default (PD), loss given default (LGD), and credit conversion factor (CCF) models, resulting in a USD 30m decrease in ECL allowances. This includes a decrease of USD 19m in Global Wealth Management affecting loans to financial advisors and specialized US lending portfolios and an USD 11m decrease in Personal & Corporate Banking related to lending to *large corporate clients* and *financial intermediaries & hedge funds*.

Scenario and key input updates

During 2022, the scenarios and related macroeconomic factors were updated from those applied at the end of 2021 by considering the prevailing economic and political conditions and uncertainty. The review focused on events that significantly changed the economic outlook during the year: the Russia–Ukraine war, with the subsequent effect on energy markets, the inflation outlook and economic growth in Europe, and rising global interest rates due to central banks' adoption of more restrictive monetary policies.

Baseline scenario: the projections of the baseline scenario, which are aligned to the economic and market assumptions used for UBS AG's business planning purposes, are broadly in line with external data, such as that from Bloomberg Consensus, Oxford Economics and the International Monetary Fund World Economic Outlook. The expectation for 2023 is that global growth stalls under the weight of monetary policy tightening, and continued pressure on real purchasing power due to high inflation – further fueled in Europe by the energy crisis and a lack of labor supply – even though unemployment rates are forecast to be higher than in 2022 and an energy crisis in Europe seems likely to be averted. Interest rates are expected to remain high, given the persistence of inflationary trends, leading to a less optimistic outlook for global house prices, which is cushioned in Switzerland by continued strong demand.

Global crisis scenario: The first hypothetical downside scenario, the global crisis scenario, is aligned with the UBS AG's 2022 binding stress scenario and was updated in 2022 to reflect expected risks, resulting in minimal changes. It assumes that, while the global economy has returned to pre-pandemic levels and the immediate risks from COVID-19 have decreased, the associated disruptions and the consequences of the unprecedented monetary and fiscal stimulus measures will remain critical. Concerns regarding the sustainability of public debt, following the marked deterioration of fiscal positions, lead to a loss of confidence and market turbulence, while protectionism results in a decrease in global trade. Governments and central banks have limited scope to support the economies, and interest rate levels remain moderate. As a consequence, China suffers a hard landing which, combined with political, solvency and liquidity concerns, affects emerging markets significantly. A spillover effect leads to a contraction of the Eurozone, Swiss and US economies, as global demand is significantly affected. Given the severity of the macroeconomic impact, unemployment rates rise to historical highs and real estate sectors contract sharply.

Stagflationary geopolitical crisis scenario: The second downside scenario was changed during 2022. In light of the developments caused by Russia's invasion of Ukraine, the *mild global interest rate steepening scenario* was replaced by a *severe global interest rate steepening scenario* in the first quarter of 2022, as the beginning of the Russia–Ukraine war increased fears of higher inflation and a corresponding reaction by monetary authorities. In the second quarter of the year, the progression of the war and the enforcement of sanctions regimes led to a redesign of the scenario. The resulting *severe Russia–Ukraine conflict scenario* has similar dynamics as the severe global interest rate steepening scenario, but addressed specifically the prospect of rising energy costs, especially in Europe, with the consequences of lower growth and higher inflation rates. In the fourth quarter of 2022, UBS developed a new *stagflationary geopolitical crisis scenario* (SGC) and included this new scenario in the ECL calculation for year-end 2022 in lieu of the *severe Russia–Ukraine conflict scenario*. While the SGC scenario addresses similar risks as the *severe Russia–Ukraine conflict scenario*, it also covers additional and broader risks and therefore assumes more severe shocks. Geopolitical tensions cause an escalation of security concerns and undermine globalization. The ensuing economic regionalization leads to a surge in global commodity prices and further disruptions of supply chains and raises the specter of prolonged stagflation. The severe interest rate and adverse house price assumptions in the SGC scenario had a substantive impact on model-based ECL allowances for loans secured by mortgages in Switzerland and the US. These effects were partly offset by PMA releases related to loans secured by mortgages. Refer to the section below on "Scenario weights and post-model adjustments" for more details.

Asset price inflation scenario: The upside scenario is based on positive developments, such as an easing of geopolitical tensions across the globe and a rebound in Chinese economic growth. A combination of lower energy and commodity prices, effective monetary policies and easing supply chain disruptions helps reduce inflation. Improved consumer and business sentiment lead to an economic rebound with central banks able to normalize interest rates; asset prices increase significantly.

Note 19 Expected credit loss measurement (continued)

The table below details the key assumptions for the four scenarios applied as of 31 December 2022.

Scenario weights and post-model adjustments

Due to the less positive outlook compared with the assessment on 31 December 2021, the scenario weights changed during 2022. The upside scenario was allocated a 0% probability, and the previous 5% weight was added to the *baseline scenario*, now set at 60%. Following the introduction of the SGC, which was deemed to have a higher probability of occurring than the *global crisis scenario*, the weights were rebalanced. The SGC has a weight of 25% (compared with 10% for the *mild global interest rate steepening scenario* used as of 31 December 2021) and the weight of the *global crisis scenario* was reduced to 15% (from 30% as of 31 December 2021). The weights are also shown in the table below.

The scenarios and weight allocation were established in line with the general market sentiment that the short-term outlook is subdued and a recession in major markets is a strong probability. The downside risks in relation to inflation and monetary policy, as well as the availability and price of energy, mainly in Europe, are better reflected in our models compared with the uncertain developments caused by COVID-19 in recent years.

However, unquantifiable risks continue to be relevant, as the pandemic has not been overcome and the world may face new disruptions. Furthermore, the geopolitical situation worsened during 2022, and the impact on the world economy from escalations with unforeseeable consequences could be severe. In the near term, this uncertainty relates primarily to the development of the Russia–Ukraine war. Models, which are based on supportable statistical information from past experiences regarding interdependencies of macroeconomic factors and their implications for credit risk portfolios, cannot comprehensively reflect such extraordinary events, such as a pandemic or a fundamental change in the world political order. Rather than creating multiple additional scenarios to attempt gauging these risks and applying model parameters that lack supportable information and cannot be robustly validated, management continued to also apply PMAs.

These PMA took into account that more of the downside risks were modeled in 2022, particularly for lending secured by mortgages. The PMA amounted to USD 131m as of 31 December 2022 (31 December 2021: USD 224m). These remaining PMA for uncertainties on potentially unmodeled risk almost entirely relate to corporate lending portfolios in Personal & Corporate Banking and the Investment Bank.

Economic scenarios and weights applied

| ECL scenario | Assigned weights in % | |
|--------------------------------------|-----------------------|----------|
| | 31.12.22 | 31.12.21 |
| Asset price inflation | 0.0 | 5.0 |
| Baseline | 60.0 | 55.0 |
| Mild global interest rate steepening | 0.0 | 10.0 |
| Stagflationary geopolitical crisis | 25.0 | 0.0 |
| Global crisis | 15.0 | 30.0 |

Scenario assumptions

| 31.12.22 | One year | | | | Three years cumulative | | | |
|--|-----------------------|----------|------------------------------------|---------------|------------------------|----------|------------------------------------|---------------|
| | Asset price inflation | Baseline | Stagflationary geopolitical crisis | Global crisis | Asset price inflation | Baseline | Stagflationary geopolitical crisis | Global crisis |
| Real GDP growth (% change) | | | | | | | | |
| United States | 4.0 | (0.3) | (4.8) | (6.4) | 9.1 | 3.2 | (4.4) | (1.8) |
| Eurozone | 3.0 | 0.6 | (5.6) | (8.5) | 6.2 | 2.5 | (5.7) | (8.3) |
| Switzerland | 3.0 | 0.7 | (4.8) | (6.7) | 6.6 | 3.5 | (4.9) | (3.7) |
| Consumer price index (% change) | | | | | | | | |
| United States | 2.5 | 2.6 | 10.0 | (0.5) | 8.1 | 6.5 | 15.8 | 1.2 |
| Eurozone | 2.3 | 5.0 | 9.6 | (0.7) | 7.4 | 9.6 | 14.8 | (0.7) |
| Switzerland | 2.1 | 1.6 | 5.8 | (1.8) | 6.2 | 3.9 | 10.7 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 3.9 | 9.2 | 10.0 | 3.0 | 5.3 | 11.8 | 9.4 |
| Eurozone | 6.0 | 7.0 | 10.9 | 11.9 | 6.0 | 7.1 | 12.2 | 13.0 |
| Switzerland | 1.7 | 2.3 | 4.3 | 4.4 | 1.5 | 2.6 | 5.1 | 4.9 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 25.0 | (5.6) | 235.0 | (326.0) | 70.0 | (13.2) | 205.0 | (291.1) |
| EUR | 20.0 | 47.8 | 250.0 | (270.6) | 57.5 | 44.7 | 220.0 | (246.5) |
| CHF | 25.0 | 45.7 | 220.0 | (209.7) | 62.5 | 57.0 | 205.0 | (159.6) |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 20.0 | 7.4 | (51.5) | (50.0) | 51.7 | 22.8 | (45.6) | (27.9) |
| EuroStoxx 50 | 17.0 | 17.2 | (51.6) | (50.0) | 42.9 | 29.2 | (47.2) | (39.3) |
| SPI | 14.0 | 5.6 | (51.6) | (46.0) | 37.9 | 19.3 | (47.2) | (32.9) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 6.6 | 1.1 | (16.7) | (19.9) | 14.0 | 2.3 | (32.9) | (23.9) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case–Shiller) | 7.8 | (4.5) | (12.8) | (19.3) | 19.1 | (0.6) | (35.8) | (32.7) |
| Eurozone (House Price Index) | 7.0 | (2.7) | (8.4) | (8.9) | 15.4 | 2.0 | (14.7) | (17.5) |

Note 19 Expected credit loss measurement (continued)

| Scenario assumptions | One year | | | | Three years cumulative | | | |
|--|-----------------------|----------|--------------------------------------|---------------|------------------------|----------|--------------------------------------|---------------|
| | Asset price inflation | Baseline | Mild global interest rate steepening | Global crisis | Asset price inflation | Baseline | Mild global interest rate steepening | Global crisis |
| 31.12.21 | | | | | | | | |
| Real GDP growth (% change) | | | | | | | | |
| United States | 9.1 | 4.4 | (0.1) | (5.9) | 17.8 | 10.1 | 1.8 | (3.8) |
| Eurozone | 9.4 | 3.9 | (0.1) | (8.7) | 17.3 | 7.5 | 0.9 | (10.3) |
| Switzerland | 5.5 | 2.4 | (0.9) | (6.6) | 13.1 | 5.8 | (0.1) | (5.7) |
| Consumer price index (% change) | | | | | | | | |
| United States | 3.1 | 2.2 | 5.7 | (1.2) | 9.5 | 6.3 | 13.0 | 0.4 |
| Eurozone | 2.3 | 1.4 | 4.2 | (1.3) | 8.0 | 4.8 | 10.4 | (1.7) |
| Switzerland | 1.8 | 0.3 | 3.5 | (1.8) | 6.1 | 1.7 | 9.0 | (1.6) |
| Unemployment rate (end-of-period level, %) | | | | | | | | |
| United States | 3.0 | 3.9 | 6.1 | 10.9 | 3.0 | 3.5 | 7.2 | 10.8 |
| Eurozone | 6.2 | 7.4 | 8.7 | 12.9 | 6.0 | 7.2 | 9.1 | 15.1 |
| Switzerland | 2.3 | 2.5 | 3.4 | 5.2 | 1.6 | 2.3 | 4.2 | 5.9 |
| Fixed income: 10-year government bonds (change in yields, basis points) | | | | | | | | |
| USD | 50.0 | 16.5 | 259.2 | (50.0) | 170.0 | 41.2 | 329.2 | (15.0) |
| EUR | 40.0 | 11.1 | 283.8 | (35.0) | 140.0 | 34.9 | 349.3 | (25.0) |
| CHF | 50.0 | 12.1 | 245.5 | (70.0) | 150.0 | 34.4 | 307.3 | (35.0) |
| Equity indices (% change) | | | | | | | | |
| S&P 500 | 12.0 | 14.1 | (27.0) | (50.2) | 35.5 | 24.7 | (21.8) | (40.1) |
| EuroStoxx 50 | 16.0 | 12.3 | (23.4) | (57.6) | 41.6 | 20.7 | (19.9) | (50.4) |
| SPI | 14.0 | 12.1 | (22.9) | (53.6) | 37.9 | 19.1 | (19.6) | (44.2) |
| Swiss real estate (% change) | | | | | | | | |
| Single-Family Homes | 5.1 | 4.4 | (4.3) | (17.0) | 15.5 | 7.4 | (8.8) | (30.0) |
| Other real estate (% change) | | | | | | | | |
| United States (S&P / Case-Shiller) | 10.0 | 3.5 | (2.3) | (9.5) | 21.7 | 7.1 | (8.7) | (26.3) |
| Eurozone (House Price Index) | 8.4 | 5.1 | (4.0) | (5.4) | 17.8 | 9.6 | (7.6) | (10.8) |

c) Development of ECL allowances and provisions

The ECL allowances and provisions recognized in the period are impacted by a variety of factors, such as:

- the effect of selecting and updating forward-looking scenarios and the respective weights;
- origination of new instruments during the period;
- the effect of passage of time (lower residual lifetime PD and the effect of discount unwind) as the ECL on an instrument for the remaining lifetime decreases (all other factors remaining the same);
- derecognition of instruments in the period;
- change in individual asset quality of instruments;
- movements from a maximum 12-month ECL to the recognition of lifetime ECL (and vice versa) following transfers between stages 1 and 2;
- movements from stages 1 and 2 to stage 3 (credit-impaired status) when default has become certain and PD increases to 100% (or vice versa);
- changes in models or updates to model parameters;
- write-off; and
- foreign exchange translations for assets denominated in foreign currencies.

Note 19 Expected credit loss measurement (continued)

The table below explains the changes in the ECL allowances and provisions for on- and off-balance sheet financial instruments and credit lines in scope of ECL requirements between the beginning and the end of the period due to the factors listed above.

| Development of ECL allowances and provisions | | | | |
|--|----------------|--------------|--------------|--------------|
| USD m | Total | Stage 1 | Stage 2 | Stage 3 |
| Balance as of 31 December 2021 | (1,165) | (282) | (220) | (662) |
| Net movement from new and derecognized transactions¹ | (7) | (21) | 16 | (2) |
| of which: Private clients with mortgages | (6) | (6) | 0 | 0 |
| of which: Real estate financing | (3) | (5) | 2 | 0 |
| of which: Large corporate clients | 8 | (1) | 11 | (2) |
| of which: SME clients | (1) | (1) | 0 | 0 |
| of which: Other | (6) | (8) | 3 | 0 |
| of which: Financial intermediaries and hedge funds | 0 | (2) | 2 | 0 |
| of which: Loans to financial advisors | 0 | 0 | 0 | 0 |
| Remeasurements with stage transfers² | (65) | 20 | (39) | (46) |
| of which: Private clients with mortgages | (10) | 3 | (12) | 0 |
| of which: Real estate financing | 7 | (1) | 8 | 0 |
| of which: Large corporate clients | (33) | 16 | (28) | (21) |
| of which: SME clients | (23) | 2 | (2) | (22) |
| of which: Other | (6) | 1 | (4) | (3) |
| of which: Financial intermediaries and hedge funds | 0 | 0 | 0 | 0 |
| of which: Loans to financial advisors | 1 | 2 | (1) | 0 |
| Remeasurements without stage transfers³ | 13 | (8) | (27) | 48 |
| of which: Private clients with mortgages | (12) | 5 | (18) | 1 |
| of which: Real estate financing | 13 | 3 | 10 | 0 |
| of which: Large corporate clients | 32 | (11) | 2 | 41 |
| of which: SME clients | (6) | (10) | (9) | 14 |
| of which: Other | (15) | 5 | (12) | (8) |
| of which: Sovereigns | (8) | 0 | (8) | 0 |
| of which: Loans to financial advisors | (3) | 3 | (1) | (6) |
| Model changes⁴ | 30 | 29 | 1 | 0 |
| Movements with profit or loss impact⁵ | (29) | 20 | (49) | 0 |
| Movements without profit or loss impact (write-off, FX and other)⁶ | 104 | 3 | 1 | 99 |
| Balance as of 31 December 2022 | (1,091) | (260) | (267) | (564) |

1 Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. 2 Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. 3 Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. 4 Represents the change in the allowances and provisions related to changes in models and methodologies. 5 Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. 6 Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

Movements with profit or loss impact: Stages 1 and 2 ECL allowances and provisions increased on a net basis by USD 29m:

- *Net movement from new and derecognized transactions* includes USD 21m stage 1 expenses and USD 16m stage 2 releases: Stage 1 expenses are primarily driven by new loans secured by real estate. The residual effect is spread across lending segments. Stage 2 releases are largely driven by redemption of corporate loans in the Investment Bank.
- *Remeasurements with stage transfers* include USD 20m releases in stage 1 and USD 39m expenses in stage 2. This mainly includes the transfer of a few large corporate lending transactions in the Investment Bank from stage 1 to 2 (i.e., releases in stage 1 and related but generally higher expenses in stage 2), driven by rating downgrades and scenario effects.
- *Remeasurements without stage transfers* include stage 1 expenses of USD 8m and stage 2 expenses of USD 27m. These expenses of USD 35m relate to large and SME corporate lending (USD 28m), substantially due to scenario effects, and to a single sovereign counterparty (USD 8m).
- *Model changes:* refer to Note 19b for more information.

Movements without profit or loss impact: Stage 3 allowances decreased by USD 99m almost entirely due to write-offs of USD 95m.

Note 19 Expected credit loss measurement (continued)

| Development of ECL allowances and provisions | | | | |
|--|----------------|--------------|--------------|--------------|
| <i>USD m</i> | Total | Stage 1 | Stage 2 | Stage 3 |
| Balance as of 31 December 2020 | (1,468) | (306) | (333) | (829) |
| Net movement from new and derecognized transactions¹ | (59) | (72) | 13 | 0 |
| <i>of which: Private clients with mortgages</i> | (7) | (10) | 3 | 0 |
| <i>of which: Real estate financing</i> | (7) | (11) | 4 | 0 |
| <i>of which: Large corporate clients</i> | (13) | (21) | 7 | 0 |
| <i>of which: SME clients</i> | (8) | (8) | 0 | 0 |
| <i>of which: Other</i> | (24) | (23) | (2) | 0 |
| <i>of which: Financial intermediaries and hedge funds</i> | (21) | (18) | (4) | 0 |
| <i>of which: Loans to financial advisors</i> | 0 | (1) | 1 | 0 |
| Remeasurements with stage transfers² | (40) | 8 | 0 | (49) |
| <i>of which: Private clients with mortgages</i> | (9) | 4 | (13) | 0 |
| <i>of which: Real estate financing</i> | (3) | 1 | (4) | 0 |
| <i>of which: Large corporate clients</i> | 2 | (2) | 12 | (8) |
| <i>of which: SME clients</i> | (27) | 5 | 4 | (36) |
| <i>of which: Other</i> | (3) | 0 | 2 | (4) |
| <i>of which: Financial intermediaries and hedge funds</i> | 2 | (1) | 3 | 0 |
| <i>of which: Loans to financial advisors</i> | 0 | 1 | (1) | 0 |
| Remeasurements without stage transfers³ | 203 | 55 | 74 | 74 |
| <i>of which: Private clients with mortgages</i> | 33 | 8 | 26 | (1) |
| <i>of which: Real estate financing</i> | 30 | 13 | 13 | 3 |
| <i>of which: Large corporate clients</i> | 44 | 5 | 21 | 17 |
| <i>of which: SME clients</i> | 53 | (1) | 1 | 53 |
| <i>of which: Other</i> | 44 | 29 | 14 | 2 |
| <i>of which: Financial intermediaries and hedge funds</i> | 27 | 15 | 12 | 0 |
| <i>of which: Loans to financial advisors</i> | 6 | 8 | 1 | (3) |
| Model changes⁴ | 45 | 29 | 16 | 0 |
| Movements with profit or loss impact⁵ | 148 | 19 | 104 | 25 |
| Movements without profit or loss impact (write-off, FX and other)⁶ | 154 | 5 | 9 | 141 |
| Balance as of 31 December 2021 | (1,165) | (282) | (220) | (662) |

¹ Represents the increase and decrease in allowances and provisions resulting from financial instruments (including guarantees and facilities) that were newly originated, purchased or renewed and from the final derecognition of loans or facilities on their maturity date or earlier. ² Represents the remeasurement between 12-month and lifetime ECL due to stage transfers. ³ Represents the change in allowances and provisions related to changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions, changes in the exposure profile, PD and LGD changes, and unwinding of the time value. ⁴ Represents the change in the allowances and provisions related to changes in models and methodologies. ⁵ Includes ECL movements from new and derecognized transactions, remeasurement changes, model and methodology changes. ⁶ Represents the decrease in allowances and provisions resulting from write-offs of the ECL allowance against the gross carrying amount when all or part of a financial asset is deemed uncollectible or forgiven and movements in foreign exchange rates.

As explained in Note 1a, the assessment of a significant increase in credit risk (SICR) considers a number of qualitative and quantitative factors to determine whether a stage transfer between stage 1 and stage 2 is required, although the primary assessment considers changes in PD based on rating analyses and economic outlook. Additionally, UBS AG takes into consideration counterparties that have moved to a credit watch list and those with payments that are at least 30 days past due.

ECL stage 2 ("significant deterioration in credit risk") allowances / provisions as of 31 December 2022 – classification by trigger

| <i>USD m</i> | Stage 2 | <i>of which: PD layer</i> | <i>of which: watch list</i> | <i>of which: ≥30 days past due</i> |
|---|---------|-------------------------------|---------------------------------|--|
| On- and off-balance sheet | (267) | (196) | (21) | (50) |
| <i>of which: Private clients with mortgages</i> | (107) | (83) | 0 | (25) |
| <i>of which: Real estate financing</i> | (23) | (18) | 0 | (5) |
| <i>of which: Large corporate clients</i> | (65) | (51) | (13) | 0 |
| <i>of which: SME clients</i> | (37) | (22) | (7) | (7) |
| <i>of which: Financial intermediaries and hedge funds</i> | (17) | (17) | 0 | 0 |
| <i>of which: Loans to financial advisors</i> | (2) | 0 | 0 | (2) |
| <i>of which: Credit cards</i> | (12) | 0 | 0 | (12) |
| <i>of which: Other</i> | (5) | (5) | 0 | 0 |

Note 19 Expected credit loss measurement (continued)

d) Maximum exposure to credit risk

The tables below provide UBS AG's maximum exposure to credit risk for financial instruments subject to ECL requirements and the respective collateral and other credit enhancements mitigating credit risk for these classes of financial instruments.

The maximum exposure to credit risk includes the carrying amounts of financial instruments recognized on the balance sheet subject to credit risk and the notional amounts for off-balance sheet arrangements. Where information is available, collateral is presented at fair value. For other collateral, such as real estate, a reasonable alternative value is used. Credit enhancements, such as credit derivative contracts and guarantees, are included at their notional amounts. Both are capped at the maximum exposure to credit risk for which they serve as security. The "Risk management and control" section of this report describes management's view of credit risk and the related exposures, which can differ in certain respects from the requirements of International Financial Reporting Standards (IFRS).

Maximum exposure to credit risk

| USD bn | 31.12.22 | | | | | | | | |
|---|---|---------------------------|---|------------------------|----------------------------------|-------------|-----------------------------|--|--------------|
| | Maximum exposure to credit risk | Collateral ^{1,2} | | | Credit enhancements ¹ | | | Exposure to credit risk after collateral and credit enhancements | |
| | | Cash collateral received | Collateralized by equity and debt instruments | Secured by real estate | Other collateral ³ | Netting | Credit derivative contracts | | Guarantees |
| Financial assets measured at amortized cost on the balance sheet | | | | | | | | | |
| Cash and balances at central banks | 169.4 | | | | | | | | 169.4 |
| Loans and advances to banks ⁴ | 14.7 | | 0.0 | | | | | 0.1 | 14.6 |
| Receivables from securities financing transactions measured at amortized cost | 67.8 | 0.0 | 64.5 | | 2.4 | | | | 0.9 |
| Cash collateral receivables on derivative instruments ^{5,6} | 35.0 | | | | | 22.9 | | | 12.1 |
| Loans and advances to customers | 390.0 | 36.1 | 115.9 | 197.8 | 19.6 | | | 3.0 | 17.6 |
| Other financial assets measured at amortized cost | 53.4 | 0.1 | 0.5 | 0.0 | 1.3 | | | | 51.4 |
| Total financial assets measured at amortized cost | 730.4 | 36.2 | 181.0 | 197.9 | 23.4 | 22.9 | 0.0 | 3.0 | 266.1 |
| Financial assets measured at fair value through other comprehensive income – debt | | | | | | | | | |
| | 2.2 | | | | | | | | 2.2 |
| Total maximum exposure to credit risk reflected on the balance sheet within the scope of ECL | 732.6 | 36.2 | 181.0 | 197.9 | 23.4 | 22.9 | 0.0 | 3.0 | 268.3 |
| Guarantees ⁷ | 22.1 | 1.2 | 9.3 | 0.1 | 2.0 | | | 1.8 | 7.7 |
| Loan commitments ⁷ | 39.9 | 0.2 | 3.1 | 1.3 | 6.5 | | 0.1 | 1.0 | 27.8 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 3.8 | | 3.8 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 43.6 | 0.2 | 8.2 | 6.0 | 6.2 | | | 0.5 | 22.5 |
| Total maximum exposure to credit risk not reflected on the balance sheet within the scope of ECL | 109.4 | 1.6 | 24.4 | 7.5 | 14.7 | 0.0 | 0.1 | 3.3 | 58.0 |
| 31.12.21 | | | | | | | | | |
| USD bn | Maximum exposure to credit risk | Collateral ^{1,2} | | | Credit enhancements ¹ | | | Exposure to credit risk after collateral and credit enhancements | |
| | | Cash collateral received | Collateralized by equity and debt instruments | Secured by real estate | Other collateral ³ | Netting | Credit derivative contracts | | Guarantees |
| | Financial assets measured at amortized cost on the balance sheet | | | | | | | | |
| Cash and balances at central banks | 192.8 | | | | | | | | 192.8 |
| Loans and advances to banks ⁴ | 15.4 | | 0.1 | | | | | 0.1 | 15.1 |
| Receivables from securities financing transactions measured at amortized cost | 75.0 | 0.0 | 68.0 | | 6.9 | | | | 0.0 |
| Cash collateral receivables on derivative instruments ^{5,6} | 30.5 | | | | | 18.4 | | | 12.1 |
| Loans and advances to customers | 398.7 | 38.2 | 128.7 | 191.3 | 20.2 | | | 4.0 | 16.4 |
| Other financial assets measured at amortized cost | 26.2 | 0.2 | 0.1 | 0.0 | 1.3 | | | | 24.7 |
| Total financial assets measured at amortized cost | 738.6 | 38.4 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 261.1 |
| Financial assets measured at fair value through other comprehensive income – debt | | | | | | | | | |
| | 8.8 | | | | | | | | 8.8 |
| Total maximum exposure to credit risk reflected on the balance sheet within the scope of ECL | 747.5 | 38.4 | 196.9 | 191.3 | 28.4 | 18.4 | 0.0 | 4.0 | 270.0 |
| Guarantees ⁷ | 20.9 | 1.3 | 6.5 | 0.2 | 2.5 | | | 2.3 | 8.1 |
| Loan commitments ⁷ | 39.4 | 0.5 | 4.0 | 2.4 | 7.3 | | 0.3 | 1.7 | 23.1 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 1.4 | | 1.4 | | | | | | 0.0 |
| Committed unconditionally revocable credit lines | 42.3 | 0.3 | 9.0 | 6.2 | 3.9 | | | 0.5 | 22.5 |
| Total maximum exposure to credit risk not reflected on the balance sheet within the scope of ECL | 104.1 | 2.2 | 20.9 | 8.7 | 13.7 | 0.0 | 0.3 | 4.5 | 53.7 |

1 Of which: USD 1,372m for 31 December 2022 (31 December 2021: USD 1,443m) relates to total credit-impaired financial assets measured at amortized cost and USD 113m for 31 December 2022 (31 December 2021: USD 130m) to total off-balance sheet financial instruments and credit lines for credit-impaired positions. 2 Collateral arrangements generally incorporate a range of collateral, including cash, equity and debt instruments, real estate and other collateral. UBS AG applies a risk-based approach that generally prioritizes collateral according to its liquidity profile. 3 Includes but is not limited to life insurance contracts, inventory, mortgage loans, gold and other commodities. 4 Loans and advances to banks include amounts held with third-party banks on behalf of clients. The credit risk associated with these balances may be borne by those clients. 5 Included within Cash collateral receivables on derivative instruments are margin balances due from exchanges or clearing houses. Some of these margin balances reflect amounts transferred on behalf of clients who retain the associated credit risk. 6 The amount shown in the "Netting" column represents the netting potential not recognized on the balance sheet. Refer to Note 21 for more information. 7 The amount shown in the "Guarantees" column includes sub-participations.

Note 19 Expected credit loss measurement (continued)

e) Financial assets subject to credit risk by rating category

The table below shows the credit quality and the maximum exposure to credit risk based on the UBS AG's internal credit rating system and year-end stage classification. Under IFRS 9, the credit risk rating reflects the UBS AG's assessment of the probability of default of individual counterparties, prior to substitutions. The amounts presented are gross of impairment allowances.

› Refer to the "Risk management and control" section of this report for more details regarding the UBS AG's internal grading system

Financial assets subject to credit risk by rating category

| USD m | | 31.12.22 | | | | | | | | | |
|--|----------------|----------------|---------------|----------------|---------------|-----------------------------|-----------------------------|----------------|---|--|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) | | |
| Financial assets measured at amortized cost | | | | | | | | | | | |
| Cash and balances at central banks | 168,525 | 877 | 0 | 0 | 56 | 0 | 169,457 | (12) | 169,445 | | |
| of which: stage 1 | 168,525 | 877 | 0 | 0 | 0 | 0 | 169,402 | 0 | 169,402 | | |
| of which: stage 2 | 0 | 0 | 0 | 0 | 56 | 0 | 56 | (12) | 44 | | |
| Loans and advances to banks | 862 | 11,150 | 832 | 996 | 837 | 0 | 14,676 | (6) | 14,671 | | |
| of which: stage 1 | 862 | 11,150 | 832 | 996 | 836 | 0 | 14,675 | (5) | 14,670 | | |
| of which: stage 2 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | (1) | 1 | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | |
| Receivables from securities financing transactions measured at amortized cost | | | | | | | | | | | |
| of which: stage 1 | 27,158 | 15,860 | 8,870 | 15,207 | 721 | 0 | 67,816 | (2) | 67,814 | | |
| of which: stage 2 | 27,158 | 15,860 | 8,870 | 15,207 | 721 | 0 | 67,816 | (2) | 67,814 | | |
| Cash collateral receivables on derivative instruments | 10,613 | 12,978 | 7,138 | 4,157 | 147 | 0 | 35,034 | 0 | 35,033 | | |
| of which: stage 1 | 10,613 | 12,978 | 7,138 | 4,157 | 147 | 0 | 35,034 | 0 | 35,033 | | |
| Loans and advances to customers | 6,491 | 216,824 | 68,444 | 76,147 | 20,891 | 2,012 | 390,810 | (783) | 390,027 | | |
| of which: stage 1 | 6,491 | 215,332 | 66,202 | 69,450 | 15,557 | 0 | 373,032 | (129) | 372,903 | | |
| of which: stage 2 | 0 | 1,493 | 2,242 | 6,698 | 5,334 | 0 | 15,767 | (180) | 15,587 | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 2,012 | 2,012 | (474) | 1,538 | | |
| Other financial assets measured at amortized cost | | | | | | | | | | | |
| of which: stage 1 | 29,011 | 16,649 | 447 | 6,708 | 450 | 210 | 53,475 | (86) | 53,389 | | |
| of which: stage 2 | 29,011 | 16,646 | 427 | 6,426 | 336 | 0 | 52,846 | (17) | 52,829 | | |
| of which: stage 3 | 0 | 2 | 20 | 283 | 114 | 0 | 419 | (6) | 413 | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 210 | 210 | (63) | 147 | | |
| Total financial assets measured at amortized cost | 242,660 | 274,337 | 85,731 | 103,216 | 23,102 | 2,222 | 731,269 | (890) | 730,379 | | |
| On-balance sheet financial instruments | | | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 1,307 | 840 | 0 | 92 | 0 | 0 | 2,239 | 0 | 2,239 | | |
| Total on-balance sheet financial instruments | 243,966 | 275,178 | 85,731 | 103,308 | 23,102 | 2,222 | 733,508 | (890) | 732,618 | | |

Off-balance sheet positions subject to expected credit loss by rating category

| USD m | | 31.12.22 | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|--------------|-----------------------------|--|----------------|--|--|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total off-balance sheet exposure (maximum exposure to credit risk) | ECL provisions | | | |
| Off-balance sheet financial instruments | | | | | | | | | | | |
| Guarantees | 7,252 | 5,961 | 4,772 | 3,049 | 1,025 | 108 | 22,167 | (48) | | | |
| of which: stage 1 | 7,252 | 5,917 | 3,812 | 2,229 | 596 | 0 | 19,805 | (13) | | | |
| of which: stage 2 | 0 | 44 | 960 | 821 | 429 | 0 | 2,254 | (9) | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 108 | 108 | (26) | | | |
| Irrevocable loan commitments | 1,770 | 14,912 | 6,986 | 10,097 | 6,107 | 124 | 39,996 | (111) | | | |
| of which: stage 1 | 1,770 | 14,789 | 6,818 | 9,625 | 4,529 | 0 | 37,531 | (59) | | | |
| of which: stage 2 | 0 | 123 | 168 | 472 | 1,578 | 0 | 2,341 | (52) | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 124 | 124 | 0 | | | |
| Forward starting reverse repurchase and securities borrowing agreements | 2,781 | 2 | 11 | 1,007 | 0 | 0 | 3,801 | 0 | | | |
| Total off-balance sheet financial instruments | 11,803 | 20,874 | 11,769 | 14,153 | 7,132 | 233 | 65,964 | (159) | | | |
| Credit lines | | | | | | | | | | | |
| Committed unconditionally revocable credit lines | 2,288 | 16,483 | 9,247 | 11,885 | 3,739 | 36 | 43,677 | (40) | | | |
| of which: stage 1 | 2,288 | 15,777 | 8,960 | 11,355 | 3,429 | 0 | 41,809 | (32) | | | |
| of which: stage 2 | 0 | 705 | 287 | 531 | 310 | 0 | 1,833 | (8) | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 36 | 36 | 0 | | | |
| Irrevocable committed prolongation of existing loans | 7 | 1,939 | 1,489 | 868 | 392 | 2 | 4,696 | (2) | | | |
| of which: stage 1 | 7 | 1,938 | 1,411 | 864 | 380 | 0 | 4,600 | (2) | | | |
| of which: stage 2 | 0 | 1 | 78 | 4 | 11 | 0 | 94 | 0 | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 0 | | | |
| Total credit lines | 2,295 | 18,421 | 10,736 | 12,753 | 4,131 | 37 | 48,373 | (42) | | | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Note 19 Expected credit loss measurement (continued)

Financial assets subject to credit risk by rating category

| USD m | | | | | | | | | | 31.12.21 | | | | | | | | | |
|---|----------------|----------------|---------------|---------------|---------------|-----------------------------|-----------------------------|----------------|---|----------|--|--|--|--|--|--|--|--|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total gross carrying amount | ECL allowances | Net carrying amount (maximum exposure to credit risk) | | | | | | | | | | |
| Financial assets measured at amortized cost | | | | | | | | | | | | | | | | | | | |
| Cash and balances at central banks | 191,015 | 1,802 | 0 | 0 | 0 | 0 | 192,817 | 0 | 192,817 | | | | | | | | | | |
| of which: stage 1 | 191,015 | 1,802 | 0 | 0 | 0 | 0 | 192,817 | 0 | 192,817 | | | | | | | | | | |
| Loans and advances to banks | 407 | 12,552 | 1,123 | 795 | 490 | 1 | 15,368 | (8) | 15,360 | | | | | | | | | | |
| of which: stage 1 | 407 | 12,552 | 1,098 | 795 | 488 | 0 | 15,340 | (7) | 15,333 | | | | | | | | | | |
| of which: stage 2 | 0 | 0 | 24 | 0 | 2 | 0 | 27 | (1) | 26 | | | | | | | | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | | | | | | | | | | |
| Receivables from securities financing transactions measured at amortized cost | 34,386 | 11,267 | 10,483 | 17,440 | 1,439 | 0 | 75,014 | (2) | 75,012 | | | | | | | | | | |
| of which: stage 1 | 34,386 | 11,267 | 10,483 | 17,440 | 1,439 | 0 | 75,014 | (2) | 75,012 | | | | | | | | | | |
| Cash collateral receivables on derivative instruments | 7,466 | 13,476 | 5,878 | 3,647 | 47 | 0 | 30,514 | 0 | 30,514 | | | | | | | | | | |
| of which: stage 1 | 7,466 | 13,476 | 5,878 | 3,647 | 47 | 0 | 30,514 | 0 | 30,514 | | | | | | | | | | |
| Loans and advances to customers | 5,295 | 232,663 | 67,620 | 70,394 | 21,423 | 2,148 | 399,543 | (850) | 398,693 | | | | | | | | | | |
| of which: stage 1 | 5,295 | 231,583 | 65,083 | 63,298 | 16,362 | 0 | 381,622 | (126) | 381,496 | | | | | | | | | | |
| of which: stage 2 | 0 | 1,080 | 2,536 | 7,096 | 5,061 | 0 | 15,773 | (152) | 15,620 | | | | | | | | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 2,148 | 2,148 | (572) | 1,577 | | | | | | | | | | |
| Other financial assets measured at amortized cost | 12,564 | 6,705 | 321 | 6,097 | 394 | 264 | 26,346 | (109) | 26,236 | | | | | | | | | | |
| of which: stage 1 | 12,564 | 6,696 | 307 | 5,887 | 317 | 0 | 25,772 | (27) | 25,746 | | | | | | | | | | |
| of which: stage 2 | 0 | 10 | 13 | 209 | 77 | 0 | 309 | (7) | 302 | | | | | | | | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 264 | 264 | (76) | 189 | | | | | | | | | | |
| Total financial assets measured at amortized cost | 251,133 | 278,465 | 85,424 | 98,372 | 23,793 | 2,414 | 739,601 | (969) | 738,632 | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | | | | | | | | |
| Financial assets measured at FVOCI – debt instruments | 3,996 | 4,771 | 0 | 77 | 0 | 0 | 8,844 | 0 | 8,844 | | | | | | | | | | |
| Total on-balance sheet financial instruments | 255,130 | 283,236 | 85,424 | 98,449 | 23,793 | 2,414 | 748,445 | (969) | 747,477 | | | | | | | | | | |

Off-balance sheet positions subject to expected credit loss by rating category

| USD m | | | | | | | | | | 31.12.21 | | | | | | | | | |
|---|--------------|---------------|---------------|---------------|--------------|-----------------------------|--|----------------|--|----------|--|--|--|--|--|--|--|--|--|
| Rating category ¹ | 0-1 | 2-3 | 4-5 | 6-8 | 9-13 | Credit-impaired (defaulted) | Total off-balance sheet exposure (maximum exposure to credit risk) | ECL provisions | | | | | | | | | | | |
| Off-balance sheet financial instruments | | | | | | | | | | | | | | | | | | | |
| Guarantees | 4,457 | 7,064 | 4,535 | 3,757 | 1,009 | 150 | 20,972 | (41) | | | | | | | | | | | |
| of which: stage 1 | 4,457 | 7,037 | 4,375 | 3,075 | 752 | 0 | 19,695 | (18) | | | | | | | | | | | |
| of which: stage 2 | 0 | 27 | 160 | 682 | 258 | 0 | 1,127 | (8) | | | | | | | | | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 150 | 150 | (15) | | | | | | | | | | | |
| Irrevocable loan commitments | 2,797 | 14,183 | 7,651 | 8,298 | 6,502 | 46 | 39,478 | (114) | | | | | | | | | | | |
| of which: stage 1 | 2,797 | 13,917 | 7,416 | 7,127 | 5,840 | 0 | 37,097 | (72) | | | | | | | | | | | |
| of which: stage 2 | 0 | 266 | 235 | 1,171 | 663 | 0 | 2,335 | (42) | | | | | | | | | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 46 | 46 | 0 | | | | | | | | | | | |
| Forward starting reverse repurchase and securities borrowing agreements | 0 | 0 | 55 | 1,389 | 0 | 0 | 1,444 | 0 | | | | | | | | | | | |
| Total off balance sheet financial instruments | 7,254 | 21,247 | 12,241 | 13,444 | 7,512 | 196 | 61,894 | (155) | | | | | | | | | | | |
| Credit lines | | | | | | | | | | | | | | | | | | | |
| Committed unconditionally revocable credit lines | 2,636 | 16,811 | 8,627 | 10,130 | 4,107 | 63 | 42,373 | (38) | | | | | | | | | | | |
| of which: stage 1 | 2,636 | 16,467 | 8,304 | 8,724 | 3,671 | 0 | 39,802 | (28) | | | | | | | | | | | |
| of which: stage 2 | 0 | 344 | 323 | 1,406 | 436 | 0 | 2,508 | (10) | | | | | | | | | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 63 | 63 | 0 | | | | | | | | | | | |
| Irrevocable committed prolongation of existing loans | 17 | 2,438 | 1,422 | 1,084 | 602 | 48 | 5,611 | (3) | | | | | | | | | | | |
| of which: stage 1 | 17 | 2,438 | 1,422 | 1,082 | 568 | 0 | 5,527 | (3) | | | | | | | | | | | |
| of which: stage 2 | 0 | 0 | 0 | 1 | 34 | 0 | 36 | 0 | | | | | | | | | | | |
| of which: stage 3 | 0 | 0 | 0 | 0 | 0 | 48 | 48 | 0 | | | | | | | | | | | |
| Total credit lines | 2,653 | 19,249 | 10,049 | 11,214 | 4,709 | 111 | 47,984 | (41) | | | | | | | | | | | |

¹ Refer to the "Internal UBS rating scale and mapping of external ratings" table in the "Risk management and control" section of this report for more information on rating categories.

Note 19 Expected credit loss measurement (continued)

f) Sensitivity information

As outlined in Note 1a, ECL estimates involve significant uncertainties at the time they are made.

ECL models

The models applied to determine point-in-time PD and LGD rely on market and statistical data, which has been found to correlate well with historically observed defaults in sufficiently homogeneous segments. The risk sensitivities for each of the ECL reporting segments to such factors are summarized in Note 9.

Sustainability and climate risk

Sustainability and climate risk (SCR) may negatively affect clients or portfolios due to direct or indirect transition costs, or exposure to physical risks in locations likely to be impacted by climate change. Such effects could lead to a deterioration in credit worthiness, which in turn would have an impact on ECLs.

While some indicators that are more influenced by climate change (e.g., energy prices) are factored into the current PD models where they have demonstrated statistical relevance, UBS AG currently does not use a specific SCR scenario in addition to the four general economic scenarios applied to derive the weighted-average ECL. The rationale for the approach at this point in time is the significance of model risks and challenges in calibration and probability weight assessment given the paucity of data.

Instead, UBS AG focuses on the process of vetting clients and business transactions and takes individual actions, where transition risk is deemed to be a significant driver of a counterparty's credit worthiness. This review process may lead to a downward revision of the counterparty's credit rating, or the adoption of risk mitigating actions, and hence affect the individual contribution to ECLs.

At the portfolio level, UBS AG has started to use stress loss assumptions to assess the extent to which SCR may affect the quality of the loans extended to small and medium-sized entities and large corporate clients. Initial tests were based on a set of assumptions presented by external parties (such as the Bank of England). Such analysis undertaken during 2022 concluded that the counterparties are not expected to be significantly impacted by physical or transition risks, mainly as there are no material risk concentrations in high-risk sectors. The analysis of the corporate loan book has also shown that any potential significant impacts from transition costs or physical risks would materialize over a time horizon that exceeds in most cases the contractual lifetime of the underlying assets. Based on current information on regulatory developments, this would also apply to the portfolio of private clients' mortgages and real estate financing, given the long lead times for investments in upgrading the housing stock.

As a result of the aforementioned factors, it was assessed that the magnitude of any impact of SCR on the weighted-average ECL would not be material as of 31 December 2022. Therefore, no specific post-model adjustment was made in this regard.

- › Refer to "Sustainability and climate risk" in the "Risk management and control" section of this report
- › Refer to "Our focus on sustainability and climate" in the "Our strategy, business model and environment" section of this report
- › Refer to "UBS AG consolidated supplemental disclosures required under SEC regulations" for the maturity profile of UBS core loan book

Forward-looking scenarios

Depending on the scenario selection and related macroeconomic assumptions for the risk factors, the components of the relevant weighted-average ECL change. This is particularly relevant for interest rates, which can move in both directions under a given growth assumption, e.g., low growth with high interest rates in a stagflation scenario, versus low growth and falling interest rates in a recession. Management generally looks for scenario narratives that reflect the key risk drivers of a given credit portfolio.

As forecasting models are complex, due to the combination of multiple factors, simple what-if analyses involving a change of individual parameters do not necessarily provide realistic information on the exposure of segments to changes in the macroeconomy. Portfolio-specific analyses based on their key risk factors would also not be meaningful, as potential compensatory effects in other segments would be ignored. The table below indicates some sensitivities to ECLs, if a key macroeconomic variable for the forecasting period is amended across all scenarios with all other factors remaining unchanged.

Note 19 Expected credit loss measurement (continued)

Potential effect on stage 1 and stage 2 positions from changing key parameters as of 31 December 2022

| <i>USD m</i> | 100% Baseline | 100% Stagflationary geopolitical crisis | 100% Global crisis | Weighted average |
|--|---------------|---|--------------------|------------------|
| Change in key parameters | | | | |
| Fixed income: Government bonds (absolute change) | | | | |
| -0.50% | (3) | (106) | (2) | (14) |
| +0.50% | 4 | 124 | 2 | 17 |
| +1.00% | 8 | 264 | 10 | 37 |
| Unemployment rate (absolute change) | | | | |
| -1.00% | (4) | (138) | (24) | (23) |
| -0.50% | (2) | (78) | (13) | (12) |
| +0.50% | 3 | 84 | 16 | 15 |
| +1.00% | 5 | 179 | 32 | 31 |
| Real GDP growth (relative change) | | | | |
| -2.00% | 7 | 13 | 18 | 11 |
| -1.00% | 3 | 7 | 9 | 5 |
| +1.00% | (3) | (7) | (9) | (5) |
| +2.00% | (5) | (13) | (18) | (10) |
| House Price Index (relative change) | | | | |
| -5.00% | 15 | 196 | 88 | 56 |
| -2.50% | 7 | 92 | 40 | 25 |
| +2.50% | (4) | (83) | (35) | (19) |
| +5.00% | (7) | (157) | (65) | (36) |
| Equity (S&P500, EuroStoxx, SMI) (relative change) | | | | |
| -10.00% | 4 | 7 | 6 | 5 |
| -5.00% | 2 | 3 | 3 | 2 |
| +5.00% | (2) | (4) | (3) | (2) |
| +10.00% | (4) | (8) | (7) | (5) |

Sensitivities can be more meaningfully assessed in the context of coherent scenarios with consistently developed macroeconomic factors. The table above outlines favorable and unfavorable effects, based on reasonably possible alternative changes to the economic conditions for stage 1 and stage 2 positions. The ECL impact is calculated for material portfolios and disclosed for each scenario.

The forecasting horizon is limited to three years, with a model-based mean reversion of PD and LGD assumed thereafter. Changes to these timelines may have an effect on ECLs: depending on the cycle, a longer or shorter forecasting horizon will lead to different annualized lifetime PD and average LGD estimations. This is currently not deemed to be material for UBS, as a large proportion of loans, including mortgages in Switzerland, have maturities that are within the forecasting horizon.

Scenario weights and stage allocation

Potential effect on stage 1 and stage 2 positions from changing scenario weights or moving to an ECL lifetime calculation as of 31 December 2022

| Scenarios | Actual ECL allowances and provisions, including staging (as per Note 9) | Pro forma ECL allowances and provisions, including staging and assuming application of 100% scenario weighting | | | | Pro forma ECL allowances and provisions, assuming all positions being subject to lifetime ECL |
|--------------------------------------|---|--|---------------|----------------------------|---|---|
| | | Weighted average | 100% Baseline | 100% Asset price inflation | 100% Stagflationary geopolitical crisis | |
| <i>USD m, except where indicated</i> | | | | | | |
| Segmentation | | | | | | |
| Private clients with mortgages | (136) | (25) | (13) | (523) | (184) | (473) |
| Real estate financing | (43) | (26) | (22) | (176) | (30) | (126) |
| Large corporate clients | (136) | (97) | (84) | (199) | (174) | (235) |
| SME clients | (86) | (67) | (66) | (162) | (97) | (153) |
| Other segments | (125) | (114) | (111) | (145) | (153) | (281) |
| Total | (526) | (329) | (295) | (1,204) | (638) | (1,267) |

Scenario weights

ECL is sensitive to changing scenario weights, in particular if narratives and parameters are selected that are not close to the baseline scenario, highlighting the non-linearity of credit losses.

As shown in the table above, the ECLs for stage 1 and stage 2 positions would have been USD 329m (31 December 2021: USD 387m) instead of USD 526m (31 December 2021: USD 503m) if ECLs had been determined solely on the *baseline scenario*. The weighted-average ECL therefore amounted to 160% (31 December 2021: 130%) of the baseline value. The effects of weighting each of the four scenarios 100% are shown in the table above.

Note 19 Expected credit loss measurement (continued)

Stage allocation and SICR

The determination of what constitutes an SICR is based on management judgment, as explained in Note 1a. Changing the SICR trigger will have a direct effect on ECLs, as more or fewer positions would be subject to lifetime ECLs under any scenario.

The relevance of the SICR trigger on overall ECL is demonstrated in the table above with the indication that the ECL allowances and provisions for stage 1 and stage 2 positions would have been USD 1,267m, if all non-impaired positions across the portfolio had been measured for lifetime ECLs irrespective of their actual SICR status. This amount compares with actual stage 1 and 2 allowances and provisions of USD 526m as of 31 December 2022.

Maturity profile

The maturity profile is an important driver in ECLs, in particular for transactions in stage 2. A transfer of a transaction into stage 2 may therefore have a significant effect on ECLs. The current maturity profile of most lending books is relatively short.

Lending to large corporate clients is generally between one and two years, with related loan commitments up to four years. Real estate lending is generally between two and three years in Switzerland, with long dated maturities in the US. Lombard-lending contracts typically have average contractual maturities of 12 months or less, and include callable features.

A significant portion of our lending to SMEs and Real estate financings is documented under multi-purpose credit agreements, which allow for various forms of utilization but are unconditionally cancelable by UBS at any time: a) for drawings under such agreements with a fixed maturity, the respective term is applied for ECL calculations, or a maximum of 12 months in stage 1; b) for unused credit lines and all drawings that have no fixed maturity (e.g., current accounts), UBS generally applies a 12-month maturity from the reporting date, given the credit review policies, which require either continuous monitoring of key indicators and behavioral patterns for smaller positions or an annual formal review for any other limit. The ECLs for these products are sensitive to shortening or extending the maturity assumption.

Note 20 Fair value measurement

a) Valuation principles

All financial and non-financial assets and liabilities measured or disclosed at fair value are categorized into one of three fair value hierarchy levels in accordance with International Financial Reporting Standards (IFRS). The fair value hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date. In certain cases, the inputs used to measure fair value may fall within different levels of the fair value hierarchy. For disclosure purposes, the level in the hierarchy within which an instrument is classified in its entirety is based on the lowest level input that is significant to the position's fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 – valuation techniques for which all significant inputs are, or are based on, observable market data; or
- Level 3 – valuation techniques for which significant inputs are not based on observable market data.

Fair values are determined using quoted prices in active markets for identical assets or liabilities, where available. Where the market for a financial instrument or non-financial asset or liability is not active, fair value is established using a valuation technique, including pricing models. Valuation adjustments may be made to allow for additional factors, including model, liquidity, credit and funding risks, which are not explicitly captured within the valuation technique, but which would nevertheless be considered by market participants when establishing a price. The limitations inherent in a particular valuation technique are considered in the determination of the classification of an asset or liability within the fair value hierarchy. Generally, the unit of account for a financial instrument is the individual instrument, and UBS applies valuation adjustments at an individual instrument level, consistent with that unit of account. However, if certain conditions are met, UBS may estimate the fair value of a portfolio of financial assets and liabilities with substantially similar and offsetting risk exposures on the basis of the net open risks.

› Refer to Note 20d for more information

b) Valuation governance

UBS's fair value measurement and model governance framework includes numerous controls and other procedural safeguards that are intended to maximize the quality of fair value measurements reported in the financial statements. New products and valuation techniques must be reviewed and approved by key stakeholders from the risk and finance control functions. Responsibility for the ongoing measurement of financial and non-financial instruments at fair value is with the business divisions.

Note 20 Fair value measurement (continued)

Fair value estimates are validated by the risk and finance control functions, which are independent of the business divisions. Independent price verification is performed by Finance through benchmarking the business divisions' fair value estimates with observable market prices and other independent sources. A governance framework and associated controls are in place in order to monitor the quality of third-party pricing sources where used. For instruments where valuation models are used to determine fair value, independent valuation and model control groups within Finance and Risk Control evaluate UBS's models on a regular basis, including valuation and model input parameters, as well as pricing. As a result of the valuation controls employed, valuation adjustments may be made to the business divisions' estimates of fair value to align with independent market data and the relevant accounting standard.

› Refer to Note 20d for more information

c) Fair value hierarchy

The table below provides the fair value hierarchy classification of financial and non-financial assets and liabilities measured at fair value. The narrative that follows describes valuation techniques used in measuring their fair value of different product types (including significant valuation inputs and assumptions used), and the factors considered in determining their classification within the fair value hierarchy.

During 2022, assets and liabilities that were transferred from Level 2 to Level 1, or from Level 1 to Level 2, and were held for the entire reporting period were not material.

Determination of fair values from quoted market prices or valuation techniques¹

| USD m | 31.12.22 | | | | 31.12.21 | | | |
|--|----------------|----------------|--------------|----------------|----------------|----------------|--------------|----------------|
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value on a recurring basis | | | | | | | | |
| Financial assets at fair value held for trading | 96,263 | 10,284 | 1,488 | 108,034 | 113,722 | 15,012 | 2,299 | 131,033 |
| of which: Equity instruments | 83,095 | 789 | 126 | 84,010 | 97,983 | 1,090 | 149 | 99,222 |
| of which: Government bills / bonds | 5,496 | 950 | 18 | 6,464 | 7,135 | 1,351 | 10 | 8,496 |
| of which: Investment fund units | 6,673 | 596 | 61 | 7,330 | 7,843 | 1,364 | 21 | 9,229 |
| of which: Corporate and municipal bonds | 976 | 6,509 | 541 | 8,026 | 708 | 7,791 | 556 | 9,055 |
| of which: Loans | 0 | 1,179 | 628 | 1,807 | 0 | 3,099 | 1,443 | 4,542 |
| of which: Asset-backed securities | 22 | 261 | 114 | 397 | 53 | 317 | 120 | 489 |
| Derivative financial instruments | 769 | 147,876 | 1,464 | 150,109 | 522 | 116,482 | 1,140 | 118,145 |
| of which: Foreign exchange | 575 | 84,882 | 2 | 85,459 | 255 | 53,046 | 7 | 53,307 |
| of which: Interest rate | 0 | 39,345 | 460 | 39,805 | 0 | 32,747 | 494 | 33,241 |
| of which: Equity / index | 1 | 21,542 | 653 | 22,195 | 0 | 27,861 | 384 | 28,245 |
| of which: Credit | 0 | 719 | 318 | 1,038 | 0 | 1,179 | 236 | 1,414 |
| of which: Commodities | 0 | 1,334 | 30 | 1,365 | 0 | 1,590 | 16 | 1,606 |
| Brokerage receivables | 0 | 17,576 | 0 | 17,576 | 0 | 21,839 | 0 | 21,839 |
| Financial assets at fair value not held for trading | 26,572 | 29,110 | 3,725 | 59,408 | 27,278 | 28,185 | 4,180 | 59,642 |
| of which: Financial assets for unit-linked investment contracts | 13,071 | 1 | 0 | 13,072 | 21,110 | 187 | 6 | 21,303 |
| of which: Corporate and municipal bonds | 35 | 14,101 | 230 | 14,366 | 123 | 13,937 | 306 | 14,366 |
| of which: Government bills / bonds | 13,103 | 3,638 | 0 | 16,741 | 5,624 | 3,236 | 0 | 8,860 |
| of which: Loans | 0 | 3,602 | 736 | 4,337 | 0 | 4,982 | 892 | 5,874 |
| of which: Securities financing transactions | 0 | 7,590 | 114 | 7,704 | 0 | 5,704 | 100 | 5,804 |
| of which: Auction rate securities | 0 | 0 | 1,326 | 1,326 | 0 | 0 | 1,585 | 1,585 |
| of which: Investment fund units | 307 | 178 | 190 | 675 | 338 | 137 | 117 | 591 |
| of which: Equity instruments | 57 | 0 | 792 | 849 | 83 | 2 | 681 | 765 |
| Financial assets measured at fair value through other comprehensive income on a recurring basis | | | | | | | | |
| Financial assets measured at fair value through other comprehensive income | 57 | 2,182 | 0 | 2,239 | 2,704 | 6,140 | 0 | 8,844 |
| of which: Asset-backed securities ² | 0 | 0 | 0 | 0 | 0 | 4,849 | 0 | 4,849 |
| of which: Government bills / bonds ² | 0 | 26 | 0 | 26 | 2,658 | 27 | 0 | 2,686 |
| of which: Corporate and municipal bonds | 57 | 2,156 | 0 | 2,213 | 45 | 1,265 | 0 | 1,310 |
| Non-financial assets measured at fair value on a recurring basis | | | | | | | | |
| Precious metals and other physical commodities | 4,471 | 0 | 0 | 4,471 | 5,258 | 0 | 0 | 5,258 |
| Non-financial assets measured at fair value on a non-recurring basis | | | | | | | | |
| Other non-financial assets ³ | 0 | 0 | 21 | 21 | 0 | 0 | 26 | 26 |
| Total assets measured at fair value | 128,132 | 207,028 | 6,698 | 341,858 | 149,484 | 187,658 | 7,645 | 344,787 |

Note 20 Fair value measurement (continued)

| Determination of fair values from quoted market prices or valuation techniques (continued) ¹ | | | | | | | | |
|---|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|
| USD m | 31.12.22 | | | | 31.12.21 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities measured at fair value on a recurring basis | | | | | | | | |
| Financial liabilities at fair value held for trading | 23,578 | 5,823 | 114 | 29,515 | 25,413 | 6,170 | 105 | 31,688 |
| of which: Equity instruments | 16,521 | 352 | 78 | 16,951 | 18,328 | 513 | 83 | 18,924 |
| of which: Corporate and municipal bonds | 36 | 4,643 | 27 | 4,707 | 30 | 4,219 | 17 | 4,266 |
| of which: Government bills / bonds | 5,880 | 706 | 1 | 6,587 | 5,883 | 826 | 0 | 6,709 |
| of which: Investment fund units | 1,141 | 84 | 3 | 1,229 | 1,172 | 555 | 6 | 1,733 |
| Derivative financial instruments | 640 | 152,582 | 1,684 | 154,906 | 509 | 118,558 | 2,242 | 121,309 |
| of which: Foreign exchange | 587 | 87,897 | 24 | 88,508 | 258 | 53,800 | 21 | 54,078 |
| of which: Interest rate | 0 | 37,429 | 116 | 37,545 | 0 | 28,398 | 278 | 28,675 |
| of which: Equity / index | 0 | 24,963 | 1,184 | 26,148 | 0 | 33,438 | 1,511 | 34,949 |
| of which: Credit | 0 | 920 | 279 | 1,199 | 0 | 1,412 | 341 | 1,753 |
| of which: Commodities | 0 | 1,309 | 52 | 1,361 | 0 | 1,503 | 63 | 1,566 |
| Financial liabilities designated at fair value on a recurring basis | | | | | | | | |
| Brokerage payables designated at fair value | 0 | 45,085 | 0 | 45,085 | 0 | 44,045 | 0 | 44,045 |
| Debt issued designated at fair value | 0 | 62,603 | 9,240 | 71,842 | 0 | 59,606 | 11,854 | 71,460 |
| Other financial liabilities designated at fair value | 0 | 30,055 | 1,978 | 32,033 | 0 | 29,258 | 3,156 | 32,414 |
| of which: Financial liabilities related to unit-linked investment contracts | 0 | 13,221 | 0 | 13,221 | 0 | 21,466 | 0 | 21,466 |
| of which: Securities financing transactions | 0 | 15,333 | 0 | 15,333 | 0 | 6,375 | 2 | 6,377 |
| of which: Over-the-counter debt instruments and other | 0 | 993 | 691 | 1,684 | 0 | 1,417 | 814 | 2,231 |
| Total liabilities measured at fair value | 24,219 | 296,148 | 13,015 | 333,382 | 25,922 | 257,637 | 17,357 | 300,916 |

¹ Bifurcated embedded derivatives are presented on the same balance sheet lines as their host contracts and are not included in this table. The fair value of these derivatives was not material for the periods presented. ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for more information. ³ Other non-financial assets primarily consist of properties and other non-current assets held for sale, which are measured at the lower of their net carrying amount or fair value less costs to sell.

Valuation techniques

UBS uses widely recognized valuation techniques for determining the fair value of financial and non-financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include discounted value of expected cash flows, relative value and option pricing methodologies.

Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and / or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry-standard cash flow projection models. The discount factors within the calculation are generated using industry-standard yield curve modeling techniques and models.

Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued.

Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry-standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed-form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation).

Where available, valuation techniques use market-observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. In such cases, the inputs selected are based on historical experience and practice for similar or analogous instruments, derivation of input levels based on similar products with observable price levels, and knowledge of current market conditions and valuation approaches.

For more complex instruments, fair values may be estimated using a combination of observed transaction prices, consensus pricing services and relevant quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. UBS also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. Refer to Note 20e for more information. The discount curves used by UBS incorporate the funding and credit characteristics of the instruments to which they are applied.

Note 20 Fair value measurement (continued)

Financial instruments excluding derivatives: valuation and classification in the fair value hierarchy

| Product | Valuation and classification in the fair value hierarchy | |
|--|--|---|
| Government bills and bonds | Valuation | <ul style="list-style-type: none"> – Generally valued using prices obtained directly from the market. – Instruments not priced directly using active-market data are valued using discounted cash flow valuation techniques that incorporate market data for similar government instruments. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1, while the remaining positions are classified as Level 2 and Level 3. |
| Corporate and municipal bonds | Valuation | <ul style="list-style-type: none"> – Generally valued using prices obtained directly from the market for the security, or similar securities, adjusted for seniority, maturity and liquidity. – When prices are not available, instruments are valued using discounted cash flow valuation techniques incorporating the credit spread of the issuer or similar issuers. – For convertible bonds without directly comparable prices, issuances may be priced using a convertible bond model. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Generally classified as Level 1 or Level 2, depending on the depth of trading activity behind price sources. – Level 3 instruments have no suitable pricing information available. |
| Traded loans and loans measured at fair value | Valuation | <ul style="list-style-type: none"> – Valued directly using market prices that reflect recent transactions or quoted dealer prices, where available. – Where no market price data is available, loans are valued by relative value benchmarking using pricing derived from debt instruments in comparable entities or different products in the same entity, or by using a credit default swap valuation technique, which requires inputs for credit spreads, credit recovery rates and interest rates. Recently originated commercial real estate loans are measured using a securitization approach based on rating agency guidelines. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Instruments with suitably deep and liquid pricing information are classified as Level 2. – Positions requiring the use of valuation techniques, or for which the price sources have insufficient trading depth, are classified as Level 3. |
| Investment fund units | Valuation | <ul style="list-style-type: none"> – Predominantly exchange-traded, with readily available quoted prices in liquid markets. – Where market prices are not available, fair value may be measured using net asset values (NAVs). |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Listed units are classified as Level 1, provided there is sufficient trading activity to justify active-market classification, while other positions are classified as Level 2. – Positions for which NAVs are not available are classified as Level 3. |
| Asset-backed securities (ABS) | Valuation | <ul style="list-style-type: none"> – For liquid securities, the valuation process will use trade and price data, updated for movements in market levels between the time of trading and the time of valuation. Less liquid instruments are measured using discounted expected cash flows incorporating price data for instruments or indices with similar risk profiles. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Residential mortgage-backed securities, commercial mortgage-backed securities and other ABS are generally classified as Level 2. However, if significant inputs are unobservable, or if market or fundamental data is not available, they are classified as Level 3. |
| Auction rate securities (ARS) | Valuation | <ul style="list-style-type: none"> – ARS are valued utilizing a discounted cash flow methodology. The model captures interest rate risk emanating from the note coupon, credit risk attributable to the underlying closed-end fund investments, liquidity risk as a function of the level of trading volume in these positions, and extension risk, as ARS are perpetual instruments that require an assumption regarding their maturity or issuer redemption date. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Granular and liquid pricing information is generally not available for ARS. As a result, these securities are classified as Level 3. |
| Equity instruments | Valuation | <ul style="list-style-type: none"> – Listed equity instruments are generally valued using prices obtained directly from the market. – Unlisted equity holdings, including private equity positions, are initially marked at their transaction price and are revalued when reliable evidence of price movement becomes available or when the position is deemed to be impaired. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The majority of equity securities are actively traded on public stock exchanges where quoted prices are readily and regularly available, resulting in Level 1 classification. – Equity securities less actively traded will be classified as Level 2 and illiquid positions as Level 3. |
| Financial assets for unit-linked investment contracts | Valuation | <ul style="list-style-type: none"> – The majority of assets are listed on exchanges and fair values are determined using quoted prices. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Most assets are classified as Level 1 if actively traded, or Level 2 if trading is not active. – Instruments for which prices are not readily available are classified as Level 3. |
| Securities financing transactions | Valuation | <ul style="list-style-type: none"> – These instruments are valued using discounted expected cash flow techniques. The discount rate applied is based on funding curves that are relevant to the collateral eligibility terms. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Collateral funding curves for these instruments are generally observable and, as a result, these positions are classified as Level 2. – Where the collateral terms are non-standard, the funding curve may be considered unobservable and these positions are classified as Level 3. |
| Brokerage receivables and payables | Valuation | <ul style="list-style-type: none"> – Fair value is determined based on the value of the underlying balances. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Due to their on-demand nature, these receivables and payables are deemed as Level 2. |

Note 20 Fair value measurement (continued)

| Product | Valuation and classification in the fair value hierarchy | |
|--|--|--|
| Financial liabilities related to unit-linked investment contracts | Valuation | – The fair values of investment contract liabilities are determined by reference to the fair value of the corresponding assets. |
| | Fair value hierarchy | – The liabilities themselves are not actively traded, but are mainly referenced to instruments that are actively traded and are therefore classified as Level 2. |
| Precious metals and other physical commodities | Valuation | – Physical assets are valued using the spot rate observed in the relevant market. |
| | Fair value hierarchy | – Generally traded in active markets with prices that can be obtained directly from these markets, resulting in classification as Level 1. |
| Debt issued designated at fair value | Valuation | – The risk management and the valuation approaches for these instruments are closely aligned with the equivalent derivatives business and the underlying risk, and the valuation techniques used for this component are the same as the relevant valuation techniques described below. |
| | Fair value hierarchy | – The observability is closely aligned with the equivalent derivatives business and the underlying risk. |

Derivative instruments: valuation and classification in the fair value hierarchy

The curves used for discounting expected cash flows in the valuation of collateralized derivatives reflect the funding terms associated with the relevant collateral arrangement for the instrument being valued. These collateral arrangements differ across counterparties with respect to the eligible currency and interest terms of the collateral. The majority of collateralized derivatives are measured using a discount curve based on funding rates derived from overnight interest in the cheapest eligible currency for the respective counterparty collateral agreement.

Uncollateralized and partially collateralized derivatives are discounted using the alternative reference rate (the ARR) (or equivalent) curve for the currency of the instrument. As described in Note 20d, the fair value of uncollateralized and partially collateralized derivatives is then adjusted by credit valuation adjustments (CVAs), debit valuation adjustments (DVAs) and funding valuation adjustments (FVAs), as applicable, to reflect an estimation of the effect of counterparty credit risk, UBS's own credit risk, and funding costs and benefits.

› Refer to Note 10 for more information about derivative instruments

| Derivative product | Valuation and classification in the fair value hierarchy | |
|------------------------------------|--|--|
| Interest rate contracts | Valuation | <ul style="list-style-type: none"> – Interest rate swap contracts are valued by estimating future interest cash flows and discounting those cash flows using a rate that reflects the appropriate funding rate for the position being measured. The yield curves used to estimate future index levels and discount rates are generated using market-standard yield curve models using interest rates associated with current market activity. The key inputs to the models are interest rate swap rates, forward rate agreement rates, short-term interest rate futures prices, basis swap spreads and inflation swap rates. – Interest rate option contracts are valued using various market-standard option models, using inputs that include interest rate yield curves, inflation curves, volatilities and correlations. – When the maturity of an interest rate swap or option contract exceeds the term for which standard market quotes are observable for a significant input parameter, the contracts are valued by extrapolation from the last observable point using standard assumptions or by reference to another observable comparable input parameter to represent a suitable proxy for that portion of the term. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The majority of interest rate swaps are classified as Level 2, as the standard market contracts that form the inputs for yield curve models are generally traded in active and observable markets. – Options are generally treated as Level 2, as the calibration process enables the model output to be validated to active-market levels. Models calibrated in this way are then used to revalue the portfolio of both standard options and more exotic products. – Interest rate swap or option contracts are classified as Level 3 when the terms exceed standard market-observable quotes. – Exotic options for which appropriate volatility or correlation input levels cannot be implied from observable market data are classified as Level 3. |
| Credit derivative contracts | Valuation | <ul style="list-style-type: none"> – Credit derivative contracts are valued using industry-standard models based primarily on market credit spreads, upfront pricing points and implied recovery rates. Where a derivative credit spread is not directly available, it may be derived from the price of the reference cash bond. – Asset-backed credit derivatives are valued using a valuation technique similar to that of the underlying security with an adjustment to reflect the funding differences between cash and synthetic form. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Single-entity and portfolio credit derivative contracts are classified as Level 2 when credit spreads and recovery rates are determined from actively traded observable market data. Where the underlying reference name(s) are not actively traded and the correlation cannot be directly mapped to actively traded tranche instruments, these contracts are classified as Level 3. – Asset-backed credit derivatives follow the characteristics of the underlying security and are therefore distributed across Level 2 and Level 3. |

Note 20 Fair value measurement (continued)

| Derivative product | Valuation and classification in the fair value hierarchy | |
|-----------------------------------|--|---|
| Foreign exchange contracts | Valuation | <ul style="list-style-type: none"> – Open spot foreign exchange (FX) contracts are valued using the FX spot rate observed in the market. – Forward FX contracts are valued using the FX spot rate adjusted for forward pricing points observed from standard market-based sources. – Over-the-counter (OTC) FX option contracts are valued using market-standard option valuation models. The models used for shorter-dated options (i.e., maturities of five years or less) tend to be different than those used for longer-dated options because the models needed for longer-dated OTC FX contracts require additional consideration of interest rate and FX rate interdependency. – The valuation for multi-dimensional FX options uses a multi-local volatility model, which is calibrated to the observed FX volatilities for all relevant FX pairs. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – The markets for FX spot and FX forward pricing points are both actively traded and observable and therefore such FX contracts are generally classified as Level 2. – A significant proportion of OTC FX option contracts are classified as Level 2 as inputs are derived mostly from standard market contracts traded in active and observable markets. – OTC FX option contracts classified as Level 3 include multi-dimensional FX options and long-dated FX exotic option contracts where there is no active market from which to derive volatility or correlation inputs. |
| Equity / index contracts | Valuation | <ul style="list-style-type: none"> – Equity forward contracts have a single stock or index underlying and are valued using market-standard models. The key inputs to the models are stock prices, estimated dividend rates and equity funding rates (which are implied from prices of forward contracts observed in the market). Estimated cash flows are then discounted using market-standard discounted cash flow models using a rate that reflects the appropriate funding rate for that portion of the portfolio. When no market data is available for the instrument maturity, they are valued by extrapolation of available data, use of historical dividend data, or use of data for a related equity. – Equity option contracts are valued using market-standard models that estimate the equity forward level as described for equity forward contracts and incorporate inputs for stock volatility and for correlation between stocks within a basket. The probability-weighted expected option payoff generated is then discounted using market-standard discounted cash flow models applying a rate that reflects the appropriate funding rate for that portion of the portfolio. When volatility, forward or correlation inputs are not available, they are valued using extrapolation of available data, historical dividend, correlation or volatility data, or the equivalent data for a related equity. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – As inputs are derived mostly from standard market contracts traded in active and observable markets, a significant proportion of equity forward contracts are classified as Level 2. – Equity option positions for which inputs are derived from standard market contracts traded in active and observable markets are also classified as Level 2. Level 3 positions are those for which volatility, forward or correlation inputs are not observable. |
| Commodity contracts | Valuation | <ul style="list-style-type: none"> – Commodity forward and swap contracts are measured using market-standard models that use market forward levels on standard instruments. – Commodity option contracts are measured using market-standard option models that estimate the commodity forward level as described for commodity forward and swap contracts, incorporating inputs for the volatility of the underlying index or commodity. For commodity options on baskets of commodities or bespoke commodity indices, the valuation technique also incorporates inputs for the correlation between different commodities or commodity indices. |
| | Fair value hierarchy | <ul style="list-style-type: none"> – Individual commodity contracts are typically classified as Level 2, because active forward and volatility market data is available. |

d) Valuation adjustments and other items

The output of a valuation technique is always an estimate of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted where appropriate and when such factors would be considered by market participants in estimating fair value, to reflect close-out costs, credit exposure, model-driven valuation uncertainty, funding costs and benefits, trading restrictions and other factors.

Deferred day-1 profit or loss reserves

For new transactions where the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognized at the transaction price. The transaction price may differ from the fair value obtained using a valuation technique, where any such difference is deferred and not initially recognized in the income statement.

Deferred day-1 profit or loss is generally released into *Other net income from financial instruments measured at fair value through profit or loss* when pricing of equivalent products or the underlying parameters becomes observable or when the transaction is closed out.

The table below summarizes the changes in deferred day-1 profit or loss reserves during the respective period.

Note 20 Fair value measurement (continued)

| Deferred day-1 profit or loss reserves | | | |
|--|------------|------------|------------|
| USD m | 2022 | 2021 | 2020 |
| Reserve balance at the beginning of the year | 418 | 269 | 146 |
| Profit / (loss) deferred on new transactions | 299 | 459 | 362 |
| (Profit) / loss recognized in the income statement | (295) | (308) | (238) |
| Foreign currency translation | 0 | (2) | 0 |
| Reserve balance at the end of the year | 422 | 418 | 269 |

Own credit

Own credit risk is reflected in the valuation of UBS's fair value option liabilities where this component is considered relevant for valuation purposes by UBS's counterparties and other market participants.

Changes in the fair value of financial liabilities designated at fair value through profit or loss related to own credit are recognized in *Other comprehensive income* directly within *Retained earnings, with no reclassification to the income statement in future periods*. This presentation does not create or increase an accounting mismatch in the income statement, as UBS does not hedge changes in own credit.

Own credit is estimated using own credit adjustment (OCA) curves, which incorporate observable market data, including market-observed secondary prices for UBS's debt and debt curves of peers. In the table below, the change in unrealized own credit consists of changes in fair value that are attributable to the change in UBS's credit spreads, as well as the effect of changes in fair values attributable to factors other than credit spreads, such as redemptions, effects from time decay and changes in interest and other market rates. Realized own credit is recognized when an instrument with an associated unrealized OCA is repurchased prior to the contractual maturity date. Life-to-date amounts reflect the cumulative unrealized change since initial recognition.

› Refer to Note 15 for more information about debt issued designated at fair value

Own credit adjustments on financial liabilities designated at fair value

| USD m | Included in Other comprehensive income | | |
|---|--|-----------|--------------|
| | For the year ended | | |
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Recognized during the period: | | | |
| Realized gain / (loss) | 1 | (14) | 2 |
| Unrealized gain / (loss) | 866 | 60 | (295) |
| Total gain / (loss), before tax | 867 | 46 | (293) |
| Recognized on the balance sheet as of the end of the period: | | | |
| Unrealized life-to-date gain / (loss) | 556 | (315) | (381) |
| <i>of which: debt issued designated at fair value</i> | 289 | (144) | (233) |
| <i>of which: other financial liabilities designated at fair value</i> | 266 | (172) | (148) |

Credit valuation adjustments

In order to measure the fair value of OTC derivative instruments, including funded derivative instruments that are classified as *Financial assets at fair value not held for trading*, CVAs are needed to reflect the credit risk of the counterparty inherent in these instruments. This amount represents the estimated fair value of protection required to hedge the counterparty credit risk of such instruments. A CVA is determined for each counterparty, considering all exposures with that counterparty, and is dependent on the expected future value of exposures, default probabilities and recovery rates, applicable collateral or netting arrangements, break clauses, funding spreads, and other contractual factors.

Funding valuation adjustments

FVAs reflect the costs and benefits of funding associated with uncollateralized and partially collateralized derivative receivables and payables and are calculated as the valuation effect from moving the discounting of the uncollateralized derivative cash flows from the ARR to OCA using the CVA framework, including the probability of counterparty default. An FVA is also applied to collateralized derivative assets in cases where the collateral cannot be sold or repledged.

Note 20 Fair value measurement (continued)

Debit valuation adjustments

A DVA is estimated to incorporate own credit in the valuation of derivatives where an FVA is not already recognized. The DVA calculation is effectively consistent with the CVA framework, being determined for each counterparty, considering all exposures with that counterparty and taking into account collateral netting agreements, expected future mark-to-market movements and UBS's credit default spreads.

Other valuation adjustments

Instruments that are measured as part of a portfolio of combined long and short positions are valued at mid-market levels to ensure consistent valuation of the long- and short-component risks. A liquidity valuation adjustment is then made to the overall net long or short exposure to move the fair value to bid or offer as appropriate, reflecting current levels of market liquidity. The bid-offer spreads used in the calculation of this valuation adjustment are obtained from market transactions and other relevant sources and are updated periodically.

Uncertainties associated with the use of model-based valuations are incorporated into the measurement of fair value through the use of model reserves. These reserves reflect the amounts that UBS estimates should be deducted from valuations produced directly by models to incorporate uncertainties in the relevant modeling assumptions, in the model and market inputs used, or in the calibration of the model output to adjust for known model deficiencies. In arriving at these estimates, UBS considers a range of market practices, including how it believes market participants would assess these uncertainties. Model reserves are reassessed periodically in light of data from market transactions, consensus pricing services and other relevant sources.

Balance sheet valuation adjustments on financial instruments

| | As of | |
|---|-----------------|----------|
| <i>USD m</i> | 31.12.22 | 31.12.21 |
| Credit valuation adjustments ¹ | (33) | (44) |
| Funding valuation adjustments | (50) | (49) |
| Debit valuation adjustments | 4 | 2 |
| Other valuation adjustments | (839) | (913) |
| <i>of which: liquidity</i> | (311) | (341) |
| <i>of which: model uncertainty</i> | (529) | (571) |

¹ Amounts do not include reserves against defaulted counterparties.

Other items

In the first half of 2021, UBS AG incurred a loss of USD 861m as a result of closing out a significant portfolio of swaps with a US-based client of its prime brokerage business and the unwinding of related hedges, following the client's default. This loss is presented within *Other net income from financial instruments measured at fair value through profit or loss*.

Note 20 Fair value measurement (continued)

e) Level 3 instruments: valuation techniques and inputs

The table below presents material Level 3 assets and liabilities, together with the valuation techniques used to measure fair value, the inputs used in a given valuation technique that are considered significant as of 31 December 2022 and unobservable, and a range of values for those unobservable inputs.

The range of values represents the highest- and lowest-level inputs used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input or an assessment of the reasonableness of UBS's estimates and assumptions, but rather the different underlying characteristics of the relevant assets and liabilities held by UBS. The ranges will therefore vary from period to period and parameter to parameter based on characteristics of the instruments held at each balance sheet date. Furthermore, the ranges of unobservable inputs may differ across other financial institutions, reflecting the diversity of the products in each firm's inventory.

Valuation techniques and inputs used in the fair value measurement of Level 3 assets and liabilities

| USD bn | Fair value | | | | Valuation technique(s) | Significant unobservable input(s) ¹ | Range of inputs | | | | | | unit ¹ |
|--|------------|------------|-------------|-------------|--|---|-----------------|-------|-------------------------------|----------|-------|-------------------------------|-------------------|
| | Assets | | Liabilities | | | | 31.12.22 | | | 31.12.21 | | | |
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | | | low | high | weighted average ² | low | high | weighted average ² | |
| Financial assets and liabilities at fair value held for trading and Financial assets at fair value not held for trading | | | | | | | | | | | | | |
| <i>Corporate and municipal bonds</i> | <i>0.8</i> | <i>0.9</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Bond price equivalent | 14 | 112 | 85 | 16 | 143 | 98 | points |
| | | | | | Discounted expected cash flows | Discount margin | 412 | 412 | | 434 | 434 | | basis points |
| <i>Traded loans, loans measured at fair value, loan commitments and guarantees</i> | <i>1.7</i> | <i>2.8</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Loan price equivalent | 30 | 100 | 97 | 0 | 101 | 99 | points |
| | | | | | Discounted expected cash flows | Credit spread | 200 | 200 | 200 | 175 | 800 | 436 | points |
| | | | | | Market comparable and securitization model | Credit spread | 145 | 1,350 | 322 | 28 | 1,544 | 241 | basis points |
| <i>Auction rate securities</i> | <i>1.3</i> | <i>1.6</i> | | | Discounted expected cash flows | Credit spread | 115 | 196 | 144 | 115 | 197 | 153 | basis points |
| <i>Investment fund units³</i> | <i>0.3</i> | <i>0.1</i> | <i>0.0</i> | <i>0.0</i> | Relative value to market comparable | Net asset value | | | | | | | |
| <i>Equity instruments³</i> | <i>0.9</i> | <i>0.8</i> | <i>0.1</i> | <i>0.1</i> | Relative value to market comparable | Price | | | | | | | |
| Debt issued designated at fair value⁴ | | | 9.2 | 11.9 | | | | | | | | | |
| Other financial liabilities designated at fair value | | | 2.0 | 3.2 | Discounted expected cash flows | Funding spread | 23 | 175 | | 24 | 175 | | basis points |
| Derivative financial instruments | | | | | | | | | | | | | |
| <i>Interest rate</i> | <i>0.5</i> | <i>0.5</i> | <i>0.1</i> | <i>0.3</i> | Option model | Volatility of interest rates | 75 | 143 | | 65 | 81 | | basis points |
| <i>Credit</i> | <i>0.3</i> | <i>0.2</i> | <i>0.3</i> | <i>0.3</i> | Discounted expected cash flows | Credit spreads | 9 | 565 | | 1 | 583 | | basis points |
| | | | | | | Bond price equivalent | 3 | 277 | | 2 | 136 | | points |
| <i>Equity / index</i> | <i>0.7</i> | <i>0.4</i> | <i>1.2</i> | <i>1.5</i> | Option model | Equity dividend yields | 0 | 20 | | 0 | 11 | | % |
| | | | | | | Volatility of equity stocks, equity and other indices | 4 | 120 | | 4 | 98 | | % |
| | | | | | | Equity-to-FX correlation | (29) | 84 | | (29) | 76 | | % |
| | | | | | | Equity-to-equity correlation | (25) | 100 | | (25) | 100 | | % |

¹ The ranges of significant unobservable inputs are represented in points, percentages and basis points. Points are a percentage of par (e.g., 100 points would be 100% of par). ² Weighted averages are provided for most non-derivative financial instruments and were calculated by weighting inputs based on the fair values of the respective instruments. Weighted averages are not provided for inputs related to Other financial liabilities designated at fair value and Derivative financial instruments, as this would not be meaningful. ³ The range of inputs is not disclosed, as there is a dispersion of values given the diverse nature of the investments. ⁴ Debt issued designated at fair value primarily consists of UBS structured notes, which include variable maturity notes with various equity and foreign exchange underlying risks, rates-linked and credit-linked notes, all of which have embedded derivative parameters that are considered to be unobservable. The equivalent derivative instrument parameters are presented in the respective derivative financial instruments lines in this table.

Note 20 Fair value measurement (continued)

Significant unobservable inputs in Level 3 positions

This section discusses the significant unobservable inputs used in the valuation of Level 3 instruments and assesses the potential effect that a change in each unobservable input in isolation may have on a fair value measurement. Relationships between observable and unobservable inputs have not been included in the summary below.

| Input | Description |
|------------------------------|--|
| Bond price equivalent | <ul style="list-style-type: none">– Where market prices are not available for a bond, fair value is measured by comparison with observable pricing data from similar instruments. Factors considered when selecting comparable instruments include credit quality, maturity and industry of the issuer. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield (either as an outright yield or as a spread to the relevant benchmark rate).– For corporate and municipal bonds, the range represents the range of prices from reference issuances used in determining fair value. Bonds priced at 0 are distressed to the point that no recovery is expected, while prices significantly in excess of 100 or par relate to inflation-linked or structured issuances that pay a coupon in excess of the market benchmark as of the measurement date.– For credit derivatives, the bond price range represents the range of prices used for reference instruments, which are typically converted to an equivalent yield or credit spread as part of the valuation process. |
| Loan price equivalent | <ul style="list-style-type: none">– Where market prices are not available for a traded loan, fair value is measured by comparison with observable pricing data for similar instruments. Factors considered when selecting comparable instruments include industry segment, collateral quality, maturity and issuer-specific covenants. Fair value may be measured either by a direct price comparison or by conversion of an instrument price into a yield. The range represents the range of prices derived from reference issuances of a similar credit quality used to measure fair value for loans classified as Level 3. Loans priced at 0 are distressed to the point that no recovery is expected, while a current price of 100 represents a loan that is expected to be repaid in full. |
| Credit spread | <ul style="list-style-type: none">– Valuation models for many credit derivatives require an input for the credit spread, which is a reflection of the credit quality of the associated referenced underlying. The credit spread of a particular security is quoted in relation to the yield on a benchmark security or reference rate, typically either US Treasury or ARR, and is generally expressed in terms of basis points. An increase / (decrease) in credit spread will increase / (decrease) the value of credit protection offered by credit default swaps and other credit derivative products. The income statement effect from such changes depends on the nature and direction of the positions held. Credit spreads may be negative where the asset is more creditworthy than the benchmark against which the spread is calculated. A wider credit spread represents decreasing creditworthiness. The range represents a diverse set of underlyings, with the lower end of the range representing credits of the highest quality and the upper end of the range representing greater levels of credit risk. |
| Discount margin | <ul style="list-style-type: none">– The discount margin (DM) spread represents the discount rates applied to present value cash flows of an asset to reflect the market return required for uncertainty in the estimated cash flows. DM spreads are a rate or rates applied on top of a floating index (e.g., Secured Overnight Financing Rate (SOFR)) to discount expected cash flows. Generally, a decrease / (increase) in the DM in isolation would result in a higher / (lower) fair value.– The high end of the range relates to securities that are priced low within the market relative to the expected cash flow schedule. This indicates that the market is pricing an increased risk of credit loss into the security that is greater than what is being captured by the expected cash flow generation process. The low ends of the ranges are typical of funding rates on better-quality instruments. |
| Funding spread | <ul style="list-style-type: none">– Structured financing transactions are valued using synthetic funding curves that best represent the assets that are pledged as collateral for the transactions. They are not representative of where UBS can fund itself on an unsecured basis, but provide an estimate of where UBS can source and deploy secured funding with counterparties for a given type of collateral. The funding spreads are expressed in terms of basis points, and if funding spreads widen, this increases the effect of discounting.– A small proportion of structured debt instruments and non-structured fixed-rate bonds within financial liabilities designated at fair value had an exposure to funding spreads that was longer in duration than the actively traded market. |
| Volatility | <ul style="list-style-type: none">– Volatility measures the variability of future prices for a particular instrument and is generally expressed as a percentage, where a higher number reflects a more volatile instrument, for which future price movements are more likely to occur. Volatility is a key input into option models, where it is used to derive a probability-based distribution of future prices for the underlying instrument. The effect of volatility on individual positions within the portfolio is driven primarily by whether the option contract is a long or short position. In most cases, the fair value of an option increases as a result of an increase in volatility and is reduced by a decrease in volatility. Generally, volatility used in the measurement of fair value is derived from active-market option prices (referred to as implied volatility). A key feature of implied volatility is the volatility “smile” or “skew,” which represents the effect of pricing options of different option strikes at different implied volatility levels.– Volatilities of low interest rates tend to be much higher than volatilities of high interest rates. In addition, different currencies may have significantly different implied volatilities. |

Note 20 Fair value measurement (continued)

| Input | Description |
|-------------------------------|---|
| Correlation | <ul style="list-style-type: none"> – Correlation measures the interrelationship between the movements of two variables. It is expressed as a percentage between –100% and +100%, where +100% represents perfectly correlated variables (meaning a movement of one variable is associated with a movement of the other variable in the same direction) and –100% implies that the variables are inversely correlated (meaning a movement of one variable is associated with a movement of the other variable in the opposite direction). The effect of correlation on the measurement of fair value depends on the specific terms of the instruments being valued, reflecting the range of different payoff features within such instruments. – Equity-to-FX correlation is important for equity options based on a currency other than the currency of the underlying stock. Equity-to-equity correlation is particularly important for complex options that incorporate, in some manner, different equities in the projected payoff. |
| Equity dividend yields | <ul style="list-style-type: none"> – The derivation of a forward price for an individual stock or index is important for measuring fair value for forward or swap contracts and for measuring fair value using option pricing models. The relationship between the current stock price and the forward price is based on a combination of expected future dividend levels and payment timings, and, to a lesser extent, the relevant funding rates applicable to the stock in question. Dividend yields are generally expressed as an annualized percentage of the share price, with the lowest limit of 0% representing a stock that is not expected to pay any dividend. The dividend yield and timing represent the most significant parameter in determining fair value for instruments that are sensitive to an equity forward price. |

f) Level 3 instruments: sensitivity to changes in unobservable input assumptions

The table below summarizes those financial assets and liabilities classified as Level 3 for which a change in one or more of the unobservable inputs to reflect reasonably possible favorable and unfavorable alternative assumptions would change fair value significantly, and the estimated effect thereof. The table below does not represent the estimated effect of stress scenarios. Interdependencies between Level 1, 2 and 3 parameters have not been incorporated in the table. Furthermore, direct interrelationships between the Level 3 parameters discussed below are not a significant element of the valuation uncertainty.

Sensitivity data is estimated using a number of techniques, including the estimation of price dispersion among different market participants, variation in modeling approaches and reasonably possible changes to assumptions used within the fair value measurement process. The sensitivity ranges are not always symmetrical around the fair values, as the inputs used in valuations are not always precisely in the middle of the favorable and unfavorable range.

Sensitivity data is determined at a product or parameter level and then aggregated assuming no diversification benefit. Diversification would incorporate estimated correlations across different sensitivity results and, as such, would result in an overall sensitivity that would be less than the sum of the individual component sensitivities. However, UBS believes that the diversification benefit is not significant to this analysis.

Sensitivity of fair value measurements to changes in unobservable input assumptions¹

| | 31.12.22 | | 31.12.21 | |
|---|-------------------|---------------------|-------------------|---------------------|
| | Favorable changes | Unfavorable changes | Favorable changes | Unfavorable changes |
| <i>USD m</i> | | | | |
| Traded loans, loans measured at fair value, loan commitments and guarantees | 19 | (12) | 19 | (13) |
| Securities financing transactions | 33 | (37) | 41 | (53) |
| Auction rate securities | 46 ² | (46) ² | 66 | (66) |
| Asset-backed securities | 27 | (27) | 20 | (20) |
| Equity instruments | 183 | (161) | 173 | (146) |
| Interest rate derivatives, net | 18 ² | (12) ² | 29 | (19) |
| Credit derivatives, net | 3 | (4) | 5 | (8) |
| Foreign exchange derivatives, net | 10 | (5) | 19 | (11) |
| Equity / index derivatives, net | 361 | (330) | 368 | (335) |
| Other | 39 ² | (62) ² | 50 | (73) |
| Total | 738 | (696) | 790 | (744) |

¹ Sensitivity of issued and over-the-counter debt instruments is reported with the equivalent derivative or securities financing instrument. ² Includes refinements applied in estimating valuation uncertainty across various parameters.

Note 20 Fair value measurement (continued)

g) Level 3 instruments: movements during the period

The table below presents additional information about material movements in Level 3 assets and liabilities measured at fair value on a recurring basis, excluding any related hedging activity.

Assets and liabilities transferred into or out of Level 3 are presented as if those assets or liabilities had been transferred at the beginning of the year.

Movements of Level 3 instruments

| <i>USD bn</i> | Balance at the beginning of the period | Net gains / losses included in comprehensive income ¹ | <i>of which: related to instruments held at the end of the period</i> | Purchases | Sales | Issuances | Settlements | Transfers into Level 3 | Transfers out of Level 3 | Foreign currency translation | Balance at the end of the period |
|---|--|--|---|------------|--------------|------------|--------------|------------------------|--------------------------|------------------------------|----------------------------------|
| For the twelve months ended 31 December 2022² | | | | | | | | | | | |
| Financial assets at fair value held for trading | 2.3 | (0.3) | (0.3) | 0.3 | (1.8) | 0.5 | 0.0 | 0.7 | (0.3) | (0.0) | 1.5 |
| <i>of which: Investment fund units</i> | 0.0 | (0.0) | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.1 | (0.0) | (0.0) | 0.1 |
| <i>of which: Corporate and municipal bonds</i> | 0.6 | (0.0) | (0.0) | 0.3 | (0.6) | 0.0 | 0.0 | 0.4 | (0.0) | (0.0) | 0.5 |
| <i>of which: Loans</i> | 1.4 | (0.1) | (0.1) | 0.0 | (1.1) | 0.5 | 0.0 | 0.0 | (0.2) | 0.0 | 0.6 |
| Derivative financial instruments – assets | 1.1 | 0.6 | 0.3 | 0.0 | 0.0 | 0.4 | (0.7) | 0.1 | (0.0) | (0.0) | 1.5 |
| <i>of which: Interest rate</i> | 0.5 | 0.3 | 0.3 | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | (0.1) | (0.0) | 0.5 |
| <i>of which: Equity / index</i> | 0.4 | 0.2 | 0.1 | 0.0 | 0.0 | 0.4 | (0.3) | 0.1 | (0.0) | (0.0) | 0.7 |
| <i>of which: Credit</i> | 0.2 | 0.1 | (0.1) | 0.0 | 0.0 | 0.0 | (0.2) | 0.0 | 0.1 | 0.0 | 0.3 |
| Financial assets at fair value not held for trading | 4.2 | 0.1 | 0.1 | 0.7 | (1.2) | 0.1 | (0.0) | 0.2 | (0.3) | (0.0) | 3.7 |
| <i>of which: Loans</i> | 0.9 | (0.0) | (0.0) | 0.4 | (0.4) | 0.1 | 0.0 | 0.1 | (0.3) | (0.0) | 0.7 |
| <i>of which: Auction rate securities</i> | 1.6 | 0.1 | 0.0 | 0.0 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 |
| <i>of which: Equity instruments</i> | 0.7 | 0.0 | 0.0 | 0.1 | (0.1) | 0.0 | 0.0 | 0.1 | 0.0 | (0.0) | 0.8 |
| Derivative financial instruments – liabilities | 2.2 | (0.8) | (0.4) | 0.0 | 0.0 | 1.1 | (0.9) | 0.3 | (0.2) | (0.1) | 1.7 |
| <i>of which: Interest rate</i> | 0.3 | (0.3) | (0.0) | 0.0 | 0.0 | 0.1 | (0.0) | 0.0 | (0.0) | (0.0) | 0.1 |
| <i>of which: Equity / index</i> | 1.5 | (0.4) | (0.3) | 0.0 | 0.0 | 0.8 | (0.7) | 0.1 | (0.2) | (0.0) | 1.2 |
| <i>of which: Credit</i> | 0.3 | (0.1) | (0.0) | 0.0 | 0.0 | 0.1 | (0.1) | 0.1 | (0.0) | (0.0) | 0.3 |
| Debt issued designated at fair value | 11.9 | (1.3) | (0.9) | 0.0 | 0.0 | 4.7 | (3.1) | 0.7 | (3.3) | (0.3) | 9.2 |
| Other financial liabilities designated at fair value³ | 3.2 | (1.0) | (1.0) | 0.0 | 0.0 | 0.0 | (0.1) | 0.1 | (0.2) | (0.0) | 2.0 |
| For the twelve months ended 31 December 2021 | | | | | | | | | | | |
| Financial assets at fair value held for trading | 2.3 | (0.0) | (0.1) | 0.3 | (1.6) | 1.2 | 0.0 | 0.3 | (0.3) | (0.0) | 2.3 |
| <i>of which: Investment fund units</i> | 0.0 | (0.0) | (0.0) | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 0.0 |
| <i>of which: Corporate and municipal bonds</i> | 0.8 | 0.0 | (0.0) | 0.2 | (0.4) | 0.0 | 0.0 | 0.0 | (0.1) | (0.0) | 0.6 |
| <i>of which: Loans</i> | 1.1 | 0.0 | (0.0) | 0.0 | (0.8) | 1.2 | 0.0 | 0.0 | (0.2) | 0.0 | 1.4 |
| Derivative financial instruments – assets | 1.8 | (0.2) | (0.1) | 0.0 | 0.0 | 0.5 | (0.7) | 0.1 | (0.3) | (0.0) | 1.1 |
| <i>of which: Interest rate</i> | 0.5 | 0.1 | 0.1 | 0.0 | 0.0 | 0.1 | (0.2) | 0.0 | (0.1) | (0.0) | 0.5 |
| <i>of which: Equity / index</i> | 0.9 | (0.1) | (0.1) | 0.0 | 0.0 | 0.3 | (0.4) | 0.0 | (0.2) | (0.0) | 0.4 |
| <i>of which: Credit</i> | 0.3 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | 0.0 | 0.2 |
| Financial assets at fair value not held for trading | 3.9 | 0.1 | 0.1 | 1.0 | (0.6) | 0.0 | 0.0 | 0.1 | (0.3) | (0.0) | 4.2 |
| <i>of which: Loans</i> | 0.9 | (0.0) | 0.0 | 0.6 | (0.3) | 0.0 | 0.0 | 0.0 | (0.3) | (0.0) | 0.9 |
| <i>of which: Auction rate securities</i> | 1.5 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 |
| <i>of which: Equity instruments</i> | 0.5 | 0.1 | 0.1 | 0.1 | (0.1) | 0.0 | 0.0 | 0.0 | (0.0) | (0.0) | 0.7 |
| Derivative financial instruments – liabilities | 3.5 | 0.2 | (0.0) | 0.0 | 0.0 | 0.9 | (1.8) | 0.0 | (0.5) | (0.0) | 2.2 |
| <i>of which: Interest rate</i> | 0.5 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.1) | 0.0 | (0.0) | (0.0) | 0.3 |
| <i>of which: Equity / index</i> | 2.3 | 0.3 | 0.1 | 0.0 | 0.0 | 0.8 | (1.5) | 0.0 | (0.4) | (0.0) | 1.5 |
| <i>of which: Credit</i> | 0.5 | (0.1) | (0.1) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 | (0.1) | (0.0) | 0.3 |
| Debt issued designated at fair value | 9.6 | 0.7 | 0.6 | 0.0 | 0.0 | 7.1 | (4.2) | 0.1 | (1.2) | (0.2) | 11.9 |
| Other financial liabilities designated at fair value | 2.1 | 0.0 | 0.0 | 0.0 | 0.0 | 1.3 | (0.2) | 0.0 | (0.0) | (0.0) | 3.2 |

¹ Net gains / losses included in comprehensive income are recognized in Net interest income and Other net income from financial instruments measured at fair value through profit or loss in the Income statement, and also in Gains / (losses) from own credit on financial liabilities designated at fair value, before tax in the Statement of comprehensive income. ² Total Level 3 assets as of 31 December 2022 were USD 6.7bn (31 December 2021: USD 7.6bn). Total Level 3 liabilities as of 31 December 2022 were USD 13.0bn (31 December 2021: USD 17.4bn). ³ Of the USD 1.0bn in net gains / losses that is included in comprehensive income, USD 0.6bn is recognized in the Income statement and USD 0.4bn is recognized in the Statement of comprehensive income in Gains / (losses) from own credit on financial liabilities designated at fair value, before tax.

Note 20 Fair value measurement (continued)

i) Financial instruments not measured at fair value

The table below provides the estimated fair values of financial instruments not measured at fair value.

Financial instruments not measured at fair value

| USD bn | 31.12.22 | | | | | | 31.12.21 | | | | | |
|---|-----------------|--|---------|---------|---------|-------|-----------------|--|---------|---------|---------|-------|
| | Carrying amount | Fair value | | | | | Carrying amount | Fair value | | | | |
| | Total | Carrying amount approximates fair value ¹ | Level 1 | Level 2 | Level 3 | Total | Total | Carrying amount approximates fair value ¹ | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | | | | | |
| Cash and balances at central banks | 169.4 | 169.4 | 0.1 | 0.0 | 0.0 | 169.4 | 192.8 | 192.7 | 0.1 | 0.0 | 0.0 | 192.8 |
| Loans and advances to banks | 14.7 | 13.9 | 0.0 | 0.7 | 0.0 | 14.6 | 15.4 | 14.6 | 0.0 | 0.7 | 0.0 | 15.3 |
| Receivables from securities financing transactions measured at amortized cost | 67.8 | 64.3 | 0.0 | 1.8 | 1.7 | 67.8 | 75.0 | 71.6 | 0.0 | 1.3 | 2.1 | 75.0 |
| Cash collateral receivables on derivative instruments | 35.0 | 35.0 | 0.0 | 0.0 | 0.0 | 35.0 | 30.5 | 30.5 | 0.0 | 0.0 | 0.0 | 30.5 |
| Loans and advances to customers | 390.0 | 136.9 | 0.0 | 45.9 | 195.0 | 377.7 | 398.7 | 163.7 | 0.0 | 43.8 | 190.4 | 397.9 |
| Other financial assets measured at amortized cost ² | 53.4 | 13.0 | 10.3 | 25.1 | 2.5 | 51.0 | 26.2 | 4.1 | 9.3 | 10.7 | 2.4 | 26.5 |
| Liabilities | | | | | | | | | | | | |
| Amounts due to banks | 11.6 | 8.9 | 0.0 | 2.7 | 0.0 | 11.6 | 13.1 | 9.1 | 0.0 | 4.0 | 0.0 | 13.1 |
| Payables from securities financing transactions measured at amortized cost | 4.2 | 3.5 | 0.0 | 0.7 | 0.0 | 4.2 | 5.5 | 4.1 | 0.0 | 1.5 | 0.0 | 5.5 |
| Cash collateral payables on derivative instruments | 36.4 | 36.4 | 0.0 | 0.0 | 0.0 | 36.4 | 31.8 | 31.8 | 0.0 | 0.0 | 0.0 | 31.8 |
| Customer deposits | 527.2 | 493.0 | 0.0 | 33.9 | 0.0 | 526.9 | 544.8 | 537.6 | 0.0 | 7.3 | 0.0 | 544.8 |
| Funding from UBS Group AG measured at amortized cost | 56.1 | 2.0 | 0.0 | 53.7 | 0.0 | 55.7 | 57.3 | 2.8 | 0.0 | 56.0 | 0.0 | 58.8 |
| Debt issued measured at amortized cost | 59.5 | 13.4 | 0.0 | 45.5 | 0.0 | 58.9 | 82.4 | 13.0 | 0.0 | 69.8 | 0.0 | 82.8 |
| Other financial liabilities measured at amortized cost ³ | 7.2 | 7.2 | 0.0 | 0.0 | 0.0 | 7.2 | 6.3 | 6.3 | 0.0 | 0.0 | 0.0 | 6.3 |

¹ Includes certain financial instruments where the carrying amount is a reasonable approximation of the fair value due to the instruments' short-term nature (instruments that are receivable or payable on demand, or with a remaining maturity (excluding the effects of callable features) of three months or less). ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1 for information. ³ Excludes lease liabilities.

The fair values included in the table above have been calculated for disclosure purposes only. The valuation techniques and assumptions described below relate only to the fair value of UBS's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one financial institution to another. The following principles were applied when determining fair value estimates for financial instruments not measured at fair value:

- For financial instruments with remaining maturities greater than three months, the fair value was determined from quoted market prices, if available.
- Where quoted market prices were not available, the fair values were estimated by discounting contractual cash flows using current market interest rates or appropriate yield curves for instruments with similar credit risk and maturity. These estimates generally include adjustments for counterparty credit risk or UBS's own credit.
- For short-term financial instruments with remaining maturities of three months or less, the carrying amount, which is net of credit loss allowances, is generally considered a reasonable estimate of fair value.

Note 21 Offsetting financial assets and financial liabilities

UBS AG enters into netting agreements with counterparties to manage the credit risks associated primarily with repurchase and reverse repurchase transactions, securities borrowing and lending, over-the-counter derivatives, and exchange-traded derivatives. These netting agreements and similar arrangements generally enable the counterparties to set off liabilities against available assets received in the ordinary course of business and / or in the event that the counterparties to the transaction are unable to fulfill their contractual obligations.

The tables below provide a summary of financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements, as well as financial collateral received or pledged to mitigate credit exposures for these financial instruments.

UBS AG engages in a variety of counterparty credit risk mitigation strategies in addition to netting and collateral arrangements. Therefore, the net amounts presented in the tables below do not purport to represent their actual credit risk exposure.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

| | Assets subject to netting arrangements | | | | | | Assets not subject to netting arrangements ⁴ | Total assets | | |
|---|---|---|--|--|---------------------|---|---|--|---|--|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet ³ | | | | Assets recognized on the balance sheet | Total assets after consideration of netting potential | Total assets recognized on the balance sheet |
| | Gross assets before netting | Netting with gross liabilities ² | Net assets recognized on the balance sheet | Financial liabilities | Collateral received | Assets after consideration of netting potential | | | | |
| <i>As of 31.12.22, USD bn</i> | | | | | | | | | | |
| Receivables from securities financing transactions measured at amortized cost | 60.8 | (11.1) | 49.6 | (3.0) | (46.4) | 0.3 | 18.2 | 18.5 | 67.8 | |
| Derivative financial instruments | 147.4 | (2.5) | 144.9 | (110.9) | (28.5) | 5.5 | 5.2 | 10.7 | 150.1 | |
| Cash collateral receivables on derivative instruments ¹ | 33.5 | 0.0 | 33.5 | (20.9) | (1.9) | 10.6 | 1.5 | 12.1 | 35.0 | |
| Financial assets at fair value not held for trading | 85.6 | (76.8) | 8.7 | (1.5) | (7.3) | 0.0 | 50.7 | 50.7 | 59.4 | |
| <i>of which: reverse repurchase agreements</i> | 84.4 | (76.8) | 7.6 | (1.5) | (6.1) | 0.0 | 0.1 | 0.1 | 7.7 | |
| Total assets | 327.2 | (90.4) | 236.8 | (136.3) | (84.1) | 16.4 | 75.6 | 92.0 | 312.4 | |
| <i>As of 31.12.21, USD bn</i> | | | | | | | | | | |
| Receivables from securities financing transactions measured at amortized cost | 67.7 | (13.8) | 53.9 | (2.9) | (51.0) | 0.0 | 21.1 | 21.1 | 75.0 | |
| Derivative financial instruments | 116.0 | (3.6) | 112.4 | (88.9) | (18.5) | 5.0 | 5.8 | 10.7 | 118.1 | |
| Cash collateral receivables on derivative instruments ¹ | 29.4 | 0.0 | 29.4 | (15.2) | (3.3) | 11.0 | 1.1 | 12.1 | 30.5 | |
| Financial assets at fair value not held for trading | 93.1 | (87.6) | 5.5 | (1.1) | (4.4) | 0.0 | 54.1 | 54.1 | 59.6 | |
| <i>of which: reverse repurchase agreements</i> | 93.1 | (87.6) | 5.5 | (1.1) | (4.4) | 0.0 | 0.3 | 0.3 | 5.8 | |
| Total assets | 306.2 | (105.0) | 201.2 | (108.1) | (77.2) | 15.9 | 82.1 | 98.1 | 283.3 | |

1 The net amount of Cash collateral receivables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. 2 The logic of the table results in amounts presented in the "Netting with gross liabilities" column corresponding directly to the amounts presented in the "Netting with gross assets" column in the liabilities table presented below. Netting in this column for reverse repurchase agreements presented within the lines "Receivables from securities financing transactions measured at amortized cost" and "Financial assets at fair value not held for trading" taken together corresponds to the amounts presented for repurchase agreements in the "Payables from securities financing transactions measured at amortized cost" and "Other financial liabilities designated at fair value" lines in the liabilities table presented below. 3 For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial assets presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. 4 Includes assets not subject to enforceable netting arrangements and other out-of-scope items.

Note 21 Offsetting financial assets and financial liabilities (continued)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

| | Liabilities subject to netting arrangements | | | | | | Liabilities not subject to netting arrangements ⁴ | Total liabilities | | |
|--|---|--|---|--|--------------------|--|--|---|--|---|
| | Netting recognized on the balance sheet | | | Netting potential not recognized on the balance sheet ³ | | | | Liabilities recognized on the balance sheet | Total liabilities after consideration of netting potential | Total liabilities recognized on the balance sheet |
| | Gross liabilities before netting | Netting with gross assets ² | Net liabilities recognized on the balance sheet | Financial assets | Collateral pledged | Liabilities after consideration of netting potential | | | | |
| <i>As of 31.12.22, USD bn</i> | | | | | | | | | | |
| Payables from securities financing transactions measured at amortized cost | 14.1 | (11.1) | 3.0 | (1.3) | (1.8) | 0.0 | 1.2 | 1.2 | 4.2 | |
| Derivative financial instruments | 150.3 | (2.5) | 147.8 | (110.9) | (26.2) | 10.7 | 7.1 | 17.8 | 154.9 | |
| Cash collateral payables on derivative instruments ¹ | 34.9 | 0.0 | 34.9 | (20.0) | (1.9) | 13.0 | 1.6 | 14.5 | 36.4 | |
| Other financial liabilities designated at fair value | 92.5 | (76.9) | 15.6 | (3.2) | (12.4) | 0.0 | 16.4 | 16.4 | 32.0 | |
| <i>of which: repurchase agreements</i> | <i>92.1</i> | <i>(76.9)</i> | <i>15.3</i> | <i>(3.2)</i> | <i>(12.1)</i> | <i>0.0</i> | <i>0.1</i> | <i>0.1</i> | <i>15.3</i> | |
| Total liabilities | 291.7 | (90.4) | 201.3 | (135.3) | (42.3) | 23.7 | 26.3 | 49.9 | 227.6 | |
| <i>As of 31.12.21, USD bn</i> | | | | | | | | | | |
| Payables from securities financing transactions measured at amortized cost | 16.9 | (12.8) | 4.1 | (1.8) | (2.3) | 0.0 | 1.4 | 1.4 | 5.5 | |
| Derivative financial instruments | 118.4 | (3.6) | 114.9 | (88.9) | (18.1) | 7.9 | 6.4 | 14.3 | 121.3 | |
| Cash collateral payables on derivative instruments ¹ | 30.4 | 0.0 | 30.4 | (13.1) | (3.3) | 14.0 | 1.4 | 15.4 | 31.8 | |
| Other financial liabilities designated at fair value | 94.8 | (88.6) | 6.2 | (2.2) | (3.8) | 0.2 | 26.3 | 26.5 | 32.4 | |
| <i>of which: repurchase agreements</i> | <i>94.6</i> | <i>(88.6)</i> | <i>6.0</i> | <i>(2.2)</i> | <i>(3.8)</i> | <i>0.0</i> | <i>0.4</i> | <i>0.4</i> | <i>6.4</i> | |
| Total liabilities | 260.6 | (105.0) | 155.6 | (106.0) | (27.5) | 22.1 | 35.5 | 57.6 | 191.1 | |

¹ The net amount of Cash collateral payables on derivative instruments recognized on the balance sheet includes certain OTC derivatives that are net settled on a daily basis either legally or in substance under IAS 32 principles and exchange-traded derivatives that are economically settled on a daily basis. ² The logic of the table results in amounts presented in the "Netting with gross assets" column corresponding to the amounts presented in the "Netting with gross liabilities" column in the assets table presented above. Netting in this column for repurchase agreements presented within the lines "Payables from securities financing transactions measured at amortized cost" and "Other financial liabilities designated at fair value" taken together corresponds to the amounts presented for reverse repurchase agreements in the "Receivables from securities financing transactions measured at amortized cost" and "Financial assets at fair value not held for trading" lines in the assets table presented above. ³ For the purpose of this disclosure, the amounts of financial instruments and cash collateral presented have been capped so as not to exceed the net amount of financial liabilities presented on the balance sheet; i.e., over-collateralization, where it exists, is not reflected in the table. ⁴ Includes liabilities not subject to enforceable netting arrangements and other out-of-scope items.

Note 22 Restricted and transferred financial assets

This Note provides information about restricted financial assets (Note 22a), transfers of financial assets (Note 22b and 22c) and financial assets that are received as collateral with the right to resell or repledge these assets (Note 22d).

a) Restricted financial assets

Restricted financial assets consist of assets pledged as collateral against an existing liability or contingent liability and other assets that are otherwise explicitly restricted such that they cannot be used to secure funding.

Financial assets are mainly pledged as collateral in securities lending transactions, in repurchase transactions, against loans from Swiss mortgage institutions and in connection with the issuance of covered bonds. UBS AG generally enters into repurchase and securities lending arrangements under standard market agreements. For securities lending, the cash received as collateral may be more or less than the fair value of the securities loaned, depending on the nature of the transaction. For repurchase agreements, the fair value of the collateral sold under an agreement to repurchase is generally in excess of the cash borrowed. Pledged mortgage loans serve as collateral for existing liabilities against Swiss central mortgage institutions and for existing covered bond issuances of USD 8,962m as of 31 December 2022 (31 December 2021: USD 10,843m).

Other restricted financial assets include assets protected under client asset segregation rules, assets held under unit-linked investment contracts to back related liabilities to the policy holders and assets held in certain jurisdictions to comply with explicit minimum local asset maintenance requirements. The carrying amount of the liabilities associated with these other restricted financial assets is generally equal to the carrying amount of the assets, with the exception of assets held to comply with local asset maintenance requirements, for which the associated liabilities are greater.

Restricted financial assets

| <i>USD m</i> | 31.12.22 | | 31.12.21 | |
|---|--------------------------------|---|--------------------------------|---|
| | Restricted financial assets | <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | Restricted financial assets | <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> |
| Financial assets pledged as collateral | | | | |
| Financial assets at fair value held for trading | 57,435 | 36,742 | 63,834 | 43,397 |
| Loans and advances to customers ¹ | 15,195 | | 18,160 | |
| Financial assets at fair value not held for trading | 1,509 | 1,220 | 961 | 961 |
| Debt securities classified as Other financial assets measured at amortized cost | 3,432 | 2,685 | 2,234 | 1,870 |
| Total financial assets pledged as collateral | 77,571 | | 85,188 | |
| Other restricted financial assets | | | | |
| Loans and advances to banks | 3,689 | | 3,408 | |
| Financial assets at fair value held for trading | 162 | | 392 | |
| Cash collateral receivables on derivative instruments | 5,155 | | 4,747 | |
| Loans and advances to customers | 1,127 | | 1,237 | |
| Financial assets at fair value not held for trading | 14,090 | | 22,328 | |
| Financial assets measured at fair value through other comprehensive income | 1,842 | | 894 | |
| Other | 859 | | 97 | |
| Total other restricted financial assets | 26,924 | | 33,104 | |
| Total financial assets pledged and other restricted financial assets² | 104,495 | | 118,292 | |

¹ Mainly related to mortgage loans that serve as collateral for existing liabilities toward Swiss central mortgage institutions and for existing covered bond issuances. Of these pledged mortgage loans, approximately USD 3.1bn as of 31 December 2022 (31 December 2021: approximately USD 2.7bn) could be withdrawn or used for future liabilities or covered bond issuances without breaching existing collateral requirements.

² Does not include assets placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes (31 December 2022: USD 5.9bn; 31 December 2021: USD 4.4bn).

Note 22 Restricted and transferred financial assets (continued)

In addition to restrictions on financial assets, UBS AG and its subsidiaries are, in certain cases, subject to regulatory requirements that affect the transfer of dividends and capital within UBS AG, as well as intercompany lending. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis, such as the Federal Reserve Board's Comprehensive Capital Analysis and Review (CCAR) process, which may limit the relevant subsidiaries' ability to make distributions of capital based on the results of those tests.

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries.

Non-regulated subsidiaries are generally not subject to such requirements and transfer restrictions. However, restrictions can also be the result of different legal, regulatory, contractual, entity- or country-specific arrangements and / or requirements.

- › Refer to the "Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups" section of this report for financial information about significant regulated subsidiaries of UBS AG

b) Transferred financial assets that are not derecognized in their entirety

The table below presents information for financial assets that have been transferred but are subject to continued recognition in full, as well as recognized liabilities associated with those transferred assets.

Transferred financial assets subject to continued recognition in full

| USD m | 31.12.22 | | 31.12.21 | |
|---|---------------------------------------|---|---------------------------------------|---|
| | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet | Carrying amount of transferred assets | Carrying amount of associated liabilities recognized on balance sheet |
| Financial assets at fair value held for trading that may be sold or repledged by counterparties | 36,742 | 16,470 | 43,397 | 17,687 |
| <i>relating to securities lending and repurchase agreements in exchange for cash received</i> | 16,756 | 16,470 | 17,970 | 17,687 |
| <i>relating to securities lending agreements in exchange for securities received</i> | 18,908 | | 24,146 | |
| <i>relating to other financial asset transfers</i> | 1,078 | | 1,281 | |
| Financial assets at fair value not held for trading that may be sold or repledged by counterparties | 1,220 | 1,050 | 961 | 898 |
| Debt securities classified as Other financial assets measured at amortized cost that may be sold or repledged by counterparties | 2,685 | 2,302 | 1,870 | 1,725 |
| Total financial assets transferred | 40,647 | 19,822 | 46,227 | 20,311 |

Transactions in which financial assets are transferred, but continue to be recognized in their entirety on UBS AG's balance sheet include securities lending and repurchase agreements, as well as other financial asset transfers. Repurchase and securities lending arrangements are, for the most part, conducted under standard market agreements and are undertaken with counterparties subject to UBS AG's normal credit risk control processes.

- › Refer to Note 1a item 2e for more information about repurchase and securities lending agreements

As of 31 December 2022, approximately 45% of the transferred financial assets were assets held for trading transferred in exchange for cash, in which case the associated recognized liability represents the amount to be repaid to counterparties. For securities lending and repurchase agreements, a haircut of between 0% and 15% is generally applied to the transferred assets, which results in associated liabilities having a carrying amount below the carrying amount of the transferred assets. The counterparties to the associated liabilities presented in the table above have full recourse to UBS AG.

In securities lending arrangements entered into in exchange for the receipt of other securities as collateral, neither the securities received nor the obligation to return them are recognized on UBS AG's balance sheet, as the risks and rewards of ownership are not transferred to UBS AG. In cases where such financial assets received are subsequently sold or repledged in another transaction, this is not considered to be a transfer of financial assets.

Other financial asset transfers primarily include securities transferred to collateralize derivative transactions, for which the carrying amount of associated liabilities is not provided in the table above, because those replacement values are managed on a portfolio basis across counterparties and product types, and therefore there is no direct relationship between the specific collateral pledged and the associated liability.

Transferred financial assets that are not subject to derecognition in full but remain on the balance sheet to the extent of UBS AG's continuing involvement were not material as of 31 December 2022 and as of 31 December 2021.

Note 22 Restricted and transferred financial assets (continued)

c) Transferred financial assets that are derecognized in their entirety with continuing involvement

Continuing involvement in a transferred and fully derecognized financial asset may result from contractual provisions in the particular transfer agreement or from a separate agreement, with the counterparty or a third party, entered into in connection with the transfer.

The fair value and carrying amount of UBS AG's continuing involvement from transferred positions as of 31 December 2022 and 31 December 2021 was not material. Life-to-date losses reported in prior periods primarily relate to legacy positions in securitization vehicles that have been fully marked down, with no remaining exposure to loss.

d) Off-balance sheet assets received

The table below presents assets received from third parties that can be sold or repledged and that are not recognized on the balance sheet, but that are held as collateral, including amounts that have been sold or repledged.

| Off-balance sheet assets received | | |
|--|----------|----------|
| USD m | 31.12.22 | 31.12.21 |
| Fair value of assets received that can be sold or repledged | 434,023 | 497,828 |
| <i>received as collateral under reverse repurchase, securities borrowing and lending arrangements, derivative and other transactions¹</i> | 418,847 | 483,426 |
| <i>received in unsecured borrowings</i> | 15,175 | 14,402 |
| Thereof sold or repledged ² | 331,805 | 367,440 |
| <i>in connection with financing activities</i> | 288,752 | 319,176 |
| <i>to satisfy commitments under short sale transactions</i> | 29,515 | 31,688 |
| <i>in connection with derivative and other transactions¹</i> | 13,538 | 16,575 |

¹ Includes securities received as initial margin from its clients that UBS AG is required to remit to central counterparties, brokers and deposit banks through its exchange-traded derivative clearing and execution services. ² Does not include off-balance sheet securities (31 December 2022: USD 9.9bn; 31 December 2021: USD 12.7bn) placed with central banks related to undrawn credit lines and for payment, clearing and settlement purposes for which there are no associated liabilities or contingent liabilities.

Note 23 Maturity analysis of assets and liabilities

a) Maturity analysis of carrying amounts of assets and liabilities

The table below provides an analysis of carrying amounts of balance sheet assets and liabilities, as well as off-balance sheet exposures by residual contractual maturity as of the reporting date. The residual contractual maturity of assets includes the effect of callable features. The residual contractual maturity of liabilities and off-balance sheet exposures is based on the earliest date on which a third party could require UBS AG to pay.

Derivative financial instruments and financial assets and liabilities at fair value held for trading are presented in the *Due within 1 month* column; however, the respective contractual maturities may extend over significantly longer periods.

Assets held to hedge unit-linked investment contracts (presented within *Financial assets at fair value not held for trading*) are presented in the *Due within 1 month* column, consistent with the maturity assigned to the related amounts due under unit-linked investment contracts (presented within *Other financial liabilities designated at fair value*).

Other financial assets and liabilities with no contractual maturity, such as equity securities, are presented in the *Perpetual / Not applicable* column. Undated or perpetual instruments are classified based on the contractual notice period that the counterparty of the instrument is entitled to give. Where there is no contractual notice period, undated or perpetual contracts are presented in the *Perpetual / Not applicable* column.

Non-financial assets and liabilities with no contractual maturity are generally included in the *Perpetual / Not applicable* column.

Loan commitments are classified based on the earliest date they can be drawn down.

Note 23 Maturity analysis of assets and liabilities (continued)

| USD bn | 31.12.22 | | | | | | | Perpetual / Not applicable | Total |
|---|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|-------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | | |
| Assets | | | | | | | | | |
| Total financial assets measured at amortized cost ¹ | 425.2 | 28.7 | 34.5 | 78.8 | 70.5 | 92.8 | | | 730.4 |
| <i>Loans and advances to customers</i> | 141.9 | 16.3 | 28.3 | 74.9 | 55.6 | 73.0 | | | 390.0 |
| Total financial assets measured at fair value through profit or loss | 300.4 | 10.0 | 7.8 | 3.6 | 9.9 | 2.0 | 1.5 | | 335.1 |
| <i>Financial assets at fair value not held for trading</i> | 24.6 | 10.0 | 7.8 | 3.6 | 9.9 | 2.0 | 1.5 | | 59.4 |
| Financial assets measured at fair value through other comprehensive income ¹ | 0.3 | 0.9 | 0.9 | 0.1 | 0.0 | 0.0 | | | 2.2 |
| Total non-financial assets | 7.1 | | 0.2 | | 2.0 | 0.4 | 28.0 | | 37.7 |
| Total assets | 732.9 | 39.5 | 43.4 | 82.4 | 82.4 | 95.1 | 29.6 | | 1,105.4 |
| Liabilities | | | | | | | | | |
| Total financial liabilities measured at amortized cost | 524.3 | 40.2 | 49.6 | 20.7 | 35.2 | 23.5 | 11.8 | | 705.4 |
| <i>Customer deposits</i> | 464.5 | 28.5 | 23.8 | 7.7 | 2.3 | 0.3 | | | 527.2 |
| <i>Funding from UBS Group AG</i> | 2.0 | | | 4.8 | 21.2 | 16.3 | 11.8 | | 56.1 |
| <i>Debt issued measured at amortized cost</i> | 4.6 | 8.8 | 23.3 | 7.2 | 10.0 | 5.7 | | | 59.5 |
| <i>of which: non-subordinated fixed rate debt</i> | 3.1 | 4.0 | 13.2 | 2.8 | 7.8 | 5.7 | | | 36.6 |
| <i>of which: non-subordinated floating rate debt</i> | 1.5 | 4.8 | 10.1 | 1.9 | 1.6 | | | | 19.9 |
| <i>of which: subordinated fixed-rate debt</i> | | | | 2.4 | 0.5 | | | | 3.0 |
| Total financial liabilities measured at fair value through profit or loss ² | 265.9 | 13.8 | 16.3 | 19.6 | 7.3 | 10.5 | | | 333.4 |
| <i>Debt issued designated at fair value</i> | 9.3 | 12.3 | 15.9 | 19.3 | 6.9 | 8.2 | | | 71.8 |
| <i>of which: non-subordinated fixed rate debt</i> | 0.5 | 2.3 | 5.6 | 3.6 | 2.0 | 1.6 | | | 15.6 |
| <i>of which: non-subordinated floating rate debt</i> | 8.8 | 10.0 | 10.3 | 15.7 | 4.9 | 6.6 | | | 56.2 |
| Total non-financial liabilities | 6.7 | 2.6 | | | | | 0.5 | | 9.7 |
| Total liabilities | 796.9 | 56.5 | 65.9 | 40.4 | 42.5 | 34.0 | 12.3 | | 1,048.5 |
| Guarantees, loan commitments and forward starting transactions³ | | | | | | | | | |
| Loan commitments | 39.3 | 0.3 | 0.4 | 0.0 | | | | | 40.0 |
| Guarantees | 22.4 | | | | | | | | 22.4 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 3.8 | | | | | | | | 3.8 |
| Total | 65.4 | 0.3 | 0.4 | 0.0 | | | | | 66.2 |

| USD bn | 31.12.21 | | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|-------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | | |
| Assets | | | | | | | | | |
| Total financial assets measured at amortized cost | 454.3 | 45.6 | 43.2 | 53.7 | 64.2 | 77.6 | | | 738.6 |
| <i>Loans and advances to customers</i> | 157.8 | 28.5 | 37.3 | 49.7 | 55.1 | 70.3 | | | 398.7 |
| Total financial assets measured at fair value through profit or loss | 300.7 | 5.8 | 8.1 | 5.2 | 7.1 | 2.5 | 1.4 | | 330.7 |
| <i>Financial assets at fair value not held for trading</i> | 29.7 | 5.8 | 8.1 | 5.2 | 7.1 | 2.5 | 1.4 | | 59.6 |
| Financial assets measured at fair value through other comprehensive income | 0.1 | 0.4 | 0.7 | 0.1 | 0.4 | 7.1 | | | 8.8 |
| Total non-financial assets | 7.3 | 0.5 | 0.1 | 0.2 | 1.4 | 0.3 | 28.2 | | 38.0 |
| Total assets | 762.3 | 52.3 | 52.1 | 59.3 | 73.2 | 87.5 | 29.5 | | 1,116.1 |
| Liabilities | | | | | | | | | |
| Total financial liabilities measured at amortized cost | 583.3 | 21.5 | 48.4 | 17.3 | 36.0 | 24.7 | 13.7 | | 744.8 |
| <i>Customer deposits</i> | 531.0 | 6.5 | 3.2 | 1.9 | 1.8 | 0.3 | | | 544.8 |
| <i>Funding from UBS Group AG</i> | 0.0 | 2.8 | 1.4 | 6.3 | 17.0 | 16.1 | 13.7 | | 57.3 |
| <i>Debt issued measured at amortized cost</i> | 3.7 | 9.3 | 38.4 | 8.7 | 15.5 | 6.9 | | | 82.4 |
| <i>of which: non-subordinated fixed rate debt</i> | 3.7 | 8.4 | 27.4 | 6.6 | 9.0 | 6.9 | | | 62.0 |
| <i>of which: non-subordinated floating rate debt</i> | 0.0 | 0.8 | 9.0 | 2.1 | 3.3 | | | | 15.2 |
| <i>of which: subordinated fixed-rate debt</i> | | | 2.0 | | 3.1 | | | | 5.2 |
| Total financial liabilities measured at fair value through profit or loss ² | 238.1 | 12.0 | 14.7 | 18.8 | 5.6 | 11.8 | | | 300.9 |
| <i>Debt issued designated at fair value</i> | 12.5 | 11.6 | 14.1 | 18.6 | 5.4 | 9.2 | | | 71.5 |
| <i>of which: non-subordinated fixed rate debt</i> | 0.8 | 1.2 | 2.9 | 1.2 | 1.3 | 2.4 | | | 9.8 |
| <i>of which: non-subordinated floating rate debt</i> | 11.7 | 10.3 | 11.2 | 17.4 | 4.2 | 6.8 | | | 61.6 |
| Total non-financial liabilities | 8.7 | 2.6 | | | | | 0.7 | | 12.0 |
| Total liabilities | 830.0 | 36.0 | 63.0 | 36.2 | 41.6 | 36.5 | 14.4 | | 1,057.7 |
| Guarantees, loan commitments and forward starting transactions³ | | | | | | | | | |
| Loan commitments | 38.3 | 0.5 | 0.7 | 0.0 | | | | | 39.5 |
| Guarantees | 21.2 | | | | | | | | 21.2 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements | 1.4 | | | | | | | | 1.4 |
| Total | 60.9 | 0.5 | 0.7 | 0.0 | | | | | 62.1 |

¹ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1b for more information. ² As of 31 December 2022 and 31 December 2021, the contractual redemption amount at maturity of debt issued designated at fair value through profit or loss and other financial liabilities measured at fair value through profit or loss was not materially different from the carrying amount. ³ The notional amounts associated with derivative loan commitments, as well as forward starting repurchase and reverse repurchase agreements, measured at fair value through profit or loss are presented together with notional amounts related to derivative instruments and have been excluded from the table above. Refer to Note 10 for more information.

Note 23 Maturity analysis of assets and liabilities (continued)

b) Maturity analysis of financial liabilities on an undiscounted basis

The table below provides an analysis of financial liabilities on an undiscounted basis, including all cash flows relating to principal and future interest payments. The residual contractual maturities for non-derivative and non-trading financial liabilities are based on the earliest date on which UBS could be contractually required to pay. Derivative positions and trading liabilities, predominantly made up of short sale transactions, are presented in the *Due within 1 month* column, as this provides a conservative reflection of the nature of these trading activities. The residual contractual maturities may extend over significantly longer periods.

| USD bn | 31.12.22 | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | |
| Financial liabilities recognized on balance sheet¹ | | | | | | | | |
| Amounts due to banks | 6.3 | 2.6 | 1.9 | 0.3 | 0.6 | 0.0 | | 11.7 |
| Payables from securities financing transactions | 3.3 | 0.3 | 0.4 | 0.3 | | 0.0 | | 4.4 |
| Cash collateral payables on derivative instruments | 36.4 | | | | | | | 36.4 |
| Customer deposits | 464.6 | 28.8 | 24.5 | 8.2 | 2.6 | 0.3 | | 529.0 |
| Funding from UBS Group AG ² | 2.2 | 0.6 | 1.2 | 6.8 | 27.6 | 21.2 | 12.7 | 72.3 |
| Debt issued measured at amortized cost | 4.6 | 8.9 | 23.7 | 7.8 | 10.8 | 6.9 | | 62.8 |
| Other financial liabilities measured at amortized cost | 5.6 | 0.1 | 0.4 | 0.5 | 1.2 | 1.3 | | 9.2 |
| <i>of which: lease liabilities</i> | <i>0.1</i> | <i>0.1</i> | <i>0.4</i> | <i>0.5</i> | <i>1.2</i> | <i>1.3</i> | | <i>3.7</i> |
| Total financial liabilities measured at amortized cost^{3,5} | 523.1 | 41.2 | 52.2 | 24.0 | 42.8 | 29.8 | 12.7 | 725.8 |
| Financial liabilities at fair value held for trading ^{3,4} | 29.5 | | | | | | | 29.5 |
| Derivative financial instruments ^{3,5} | 154.9 | | | | | | | 154.9 |
| Brokerage payables designated at fair value | 45.1 | | | | | | | 45.1 |
| Debt issued designated at fair value ⁶ | 9.4 | 12.4 | 16.0 | 19.7 | 7.1 | 12.3 | | 76.8 |
| Other financial liabilities designated at fair value | 27.1 | 1.4 | 0.4 | 0.4 | 0.5 | 5.0 | | 34.8 |
| Total financial liabilities measured at fair value through profit or loss | 266.0 | 13.8 | 16.4 | 20.0 | 7.5 | 17.3 | | 341.1 |
| Total | 789.2 | 55.0 | 68.6 | 44.0 | 50.3 | 47.1 | 12.7 | 1,066.9 |
| Guarantees, commitments and forward starting transactions | | | | | | | | |
| Loan commitments ⁷ | 39.3 | 0.3 | 0.4 | 0.0 | | | | 40.0 |
| Guarantees | 22.4 | | | | | | | 22.4 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements ⁷ | 3.8 | | | | | | | 3.8 |
| Total | 65.4 | 0.3 | 0.4 | 0.0 | | | | 66.2 |

| USD bn | 31.12.21 | | | | | | Perpetual / Not applicable | Total |
|--|-----------------------|----------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------|----------------------------------|----------------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 2 years | Due between 2 and 5 years | Due over 5 years | | |
| Financial liabilities recognized on balance sheet¹ | | | | | | | | |
| Amounts due to banks | 6.7 | 2.4 | 3.5 | 0.0 | 0.5 | | | 13.1 |
| Payables from securities financing transactions | 3.8 | 0.3 | 1.6 | 0.0 | | | | 5.7 |
| Cash collateral payables on derivative instruments | 31.8 | | | | | | | 31.8 |
| Customer deposits | 531.0 | 6.6 | 3.3 | 2.0 | 1.9 | 0.4 | | 545.1 |
| Funding from UBS Group AG ² | 0.2 | 3.3 | 2.3 | 7.8 | 21.1 | 16.9 | 13.7 | 65.3 |
| Debt issued measured at amortized cost | 3.8 | 9.4 | 38.8 | 9.0 | 16.1 | 7.6 | | 84.7 |
| Other financial liabilities measured at amortized cost | 5.3 | 0.1 | 0.4 | 0.6 | 1.2 | 1.5 | | 9.1 |
| <i>of which: lease liabilities</i> | <i>0.1</i> | <i>0.1</i> | <i>0.4</i> | <i>0.6</i> | <i>1.2</i> | <i>1.5</i> | | <i>3.9</i> |
| Total financial liabilities measured at amortized cost | 582.6 | 22.1 | 49.9 | 19.4 | 40.8 | 26.4 | 13.7 | 754.8 |
| Financial liabilities at fair value held for trading ^{3,4} | 31.7 | | | | | | | 31.7 |
| Derivative financial instruments ^{3,5} | 121.3 | | | | | | | 121.3 |
| Brokerage payables designated at fair value | 44.0 | | | | | | | 44.0 |
| Debt issued designated at fair value ⁶ | 13.8 | 11.5 | 13.5 | 18.8 | 5.6 | 12.5 | | 75.9 |
| Other financial liabilities designated at fair value | 28.1 | 0.4 | 0.5 | 0.2 | 0.2 | 7.1 | | 36.5 |
| Total financial liabilities measured at fair value through profit or loss | 239.0 | 11.9 | 14.0 | 19.0 | 5.8 | 19.6 | | 309.4 |
| Total | 821.6 | 34.0 | 63.9 | 38.4 | 46.6 | 45.9 | 13.7 | 1,064.2 |
| Guarantees, commitments and forward starting transactions | | | | | | | | |
| Loan commitments ⁷ | 38.3 | 0.5 | 0.7 | 0.0 | | | | 39.5 |
| Guarantees | 21.2 | | | | | | | 21.2 |
| Forward starting transactions, reverse repurchase and securities borrowing agreements ⁷ | 1.4 | | | | | | | 1.4 |
| Total | 60.9 | 0.5 | 0.7 | 0.0 | | | | 62.1 |

¹ Except for financial liabilities at fair value held for trading and derivative financial instruments (see footnote 3), the amounts presented generally represent undiscounted cash flows of future interest and principal payments. ² The time-bucket Perpetual / Not applicable includes perpetual loss-absorbing additional tier 1 capital instruments. ³ Carrying amount is fair value. Management believes that this best represents the cash flows that would have to be paid if these positions had to be settled or closed out. ⁴ Contractual maturities of financial liabilities at fair value held for trading are: USD 27.8bn due within 1 month (31 December 2021: USD 30.8bn), USD 1.7bn due between 1 month and 1 year (31 December 2021: USD 0.9bn) and USD 0bn due between 1 and 5 years (31 December 2021: USD 0bn). ⁵ Includes USD 46m (31 December 2021: USD 34m) related to fair values of derivative loan commitments and forward starting reverse repurchase agreements classified as derivatives, presented within "Due within 1 month." The full contractual committed amount of USD 34.4bn (31 December 2021: USD 36.0bn) is presented in Note 10 under notional amounts. ⁶ Future interest payments on variable-rate liabilities are determined by reference to the applicable interest rate prevailing as of the reporting date. Future principal payments that are variable are determined by reference to the conditions existing at the relevant reporting date. ⁷ Excludes derivative loan commitments and forward starting reverse repurchase agreements measured at fair value (see footnote 5).

Note 24 Interest rate benchmark reform

Background

A market-wide reform of major interest rate benchmarks is being undertaken globally. The publication of London Interbank Offered Rates (LIBORs) ceased immediately after 31 December 2021 for all non-US dollar LIBORs, as well as for one-week and two-month USD LIBOR. Publication of the remaining USD LIBOR tenors will cease immediately after 30 June 2023.

In December 2022, the FCA consulted on the continued publication of one-, three- and six-month USD LIBOR under a synthetic format until the end of September 2024 to ensure an orderly winding down of remaining contracts that are not governed by US law. In addition, in December 2022, the US Federal Reserve Board adopted the final rules that implement the Adjustable Interest Rate (LIBOR) Act, which is substantially based on, and supersedes, the New York State LIBOR legislation. The Adjustable Interest Rate (LIBOR) Act provides a legislative solution for USD LIBOR legacy products governed by any US state law should such products fail to transition prior to the USD LIBOR cessation date of 30 June 2023.

A framework has been established within UBS AG to address the transition of contracts that do not contain adequate fallback provisions and to cease entering into new LIBOR contracts, with the exception of specific circumstances that are allowed by regulatory provisions for USD LIBOR.

Governance over the transition to alternative benchmark rates

Throughout the transition process UBS AG has been maintaining a global cross-divisional, cross-functional governance structure and change program to address the scale and complexity of the transition. This global program is sponsored by the Group CFO and led by senior representatives from the business divisions and UBS AG's control and support functions. The program includes governance and execution structures within each business division, together with cross-divisional teams from each control and support function. During 2022, progress was overseen centrally via a monthly Group LIBOR Transition Forum with an increased US regional focus.

Risks

A core part of UBS AG's change program is the identification, management and monitoring of the risks associated with IBOR reform and transition. These risks include, but are not limited to, the following:

- economic risks to UBS AG and its clients, through the repricing of existing contracts, reduced transparency and / or liquidity of pricing information, market uncertainty or disruption;
- accounting risks, where the transition affects the accounting treatment, including hedge accounting and consequential income statement volatility;
- valuation risks arising from the variation between benchmarks that will cease and ARR, affecting the risk profile of financial instruments;
- operational risks arising from changes to UBS AG's front-to-back processes and systems to accommodate the transition (e.g., data sourcing and processing and bulk migration of contracts); and
- legal and conduct risks relating to UBS AG's engagement with clients and market counterparties around new benchmark products and amendments required for existing contracts referencing benchmarks that will cease.

Overall, the effort required to transition is affected by multiple factors, including whether negotiations need to take place with multiple stakeholders (as is the case for syndicated loans or certain listed securities), market readiness and a client's technical readiness to handle ARR market conventions. UBS AG remains confident that it has the transparency, oversight and operational preparedness to progress with the IBOR transition consistent with market timelines, given the significant progress made as of 31 December 2022. UBS AG did not have and does not expect changes to its risk management approach and strategy as a result of interest rate benchmark reform.

Transition progress

UBS AG's significant non-derivative exposures subject to IBOR reform primarily related to brokerage receivable and payable balances, corporate and private loans, and mortgages, linked to CHF and USD LIBORs. During 2020, UBS AG transitioned most of its CHF LIBOR-linked deposits to the Swiss Average Overnight Rate (SARON). In that same year, UBS AG launched SARON-based mortgages and corporate loans based on all major ARRs in the Swiss market, as well as Secure Overnight Financing Rate (SOFR)-based mortgages in the US market.

Throughout 2021, UBS AG transitioned substantially all of its private and corporate loans linked to non-USD IBORs, with the remaining CHF LIBOR-linked contracts transitioning on their first roll date in 2022. In addition, as of 31 December 2021 UBS AG had completed the transition of IBOR-linked non-derivative financial assets and liabilities related to brokerage accounts, except for balances originated in the US, which transitioned to SOFR in January 2022.

Note 24 Interest rate benchmark reform (continued)

In 2022, UBS AG focused its efforts on the transition of USD LIBOR and the remaining non-USD LIBOR contracts, by leveraging industry solutions (e.g., the use of fallback provisions), through third-party actions (those by clearing houses, agents, etc.) and bi-lateral contract negotiations. As of 31 December 2022, the transition of non-USD IBORs is substantially complete.

In addition, in 2022, substantially all US securities-based lending has been transitioned to SOFR and UBS AG continues to make good progress on the transition of the remaining USD LIBOR non-derivative assets and liabilities, with the US mortgage portfolio of USD 9bn (31 December 2021: USD 11bn) the largest remaining exposure left to transition.

In August 2022, to facilitate the transition of derivatives linked to the USD LIBOR Swap Rate, UBS AG adhered to the June 2022 Benchmark Module of the ISDA 2021 Fallbacks Protocol on the USD LIBOR Swap Rate. UBS AG will begin gradually transitioning USD LIBOR derivatives not transacted with clearing houses or exchanges from the first quarter of 2023. The transition of USD LIBOR-cleared derivatives is planned to commence in the second quarter of 2023.

As of 31 December 2022, UBS AG had approximately USD 3bn equivalent of yen- and US dollar-denominated funding from UBS Group AG that, per current contractual terms, if not called on their respective call dates, would reset based directly on JPY LIBOR and USD LIBOR. In addition, certain US dollar-denominated contracts providing funding from UBS Group AG reference rates indirectly derived from IBORs, if they are not called on their respective call dates. These contracts have robust IBOR fallback language and the confirmation of interest rate calculation mechanics will be communicated as market standards formalize and in advance of any rate resets. These debt instruments have not been included in the table below, given their current fixed-rate coupon.

Financial instruments yet to transition to alternative benchmarks

The amounts included in the table below relate to financial instrument contracts across UBS AG's business divisions where UBS AG has material exposures subject to IBOR reform that have not yet transitioned to ARRs, and that:

- contractually reference an interest rate benchmark that will transition to an alternative benchmark; and
- have a contractual maturity date (including open-ended contracts) after the agreed cessation dates.

Contracts where penalty terms reference IBORs, or where exposure to an IBOR is not the primary purpose of the contract, have not been included, as these contracts do not have a material impact on the transition process.

In line with information provided to management and external parties monitoring UBS AG's transition progress, the table below includes the following financial metrics for instruments external to UBS AG that are subject to interest rate benchmark reform:

- gross carrying value / exposure for non-derivative financial instruments; and
- total trade count for derivative financial instruments.

The exposures included in the table below reflect the maximum IBOR exposure, without regard for early termination rights, with the actual exposure being dependent upon client preferences and investment decisions.

As of 31 December 2022, UBS AG had made significant progress in transitioning LIBOR exposures to ARRs. The remaining USD LIBOR-linked exposures included in the table below primarily relate to derivatives and US mortgages, with the transition planned to be completed by 30 June 2023.

| Measure | LIBOR benchmark rates | | | | | | |
|---|-----------------------|---------------------|-----------------------|---------------------|------------------|--------------------|------------------|
| | 31.12.22 ¹ | 31.12.21 | | | | | |
| | USD | USD | CHF | GBP | EUR ² | JPY | |
| Carrying value of non-derivative financial instruments | | | | | | | |
| Total non-derivative financial assets | USD m | 14,269 ³ | 65,234 ³ | 21,616 ⁴ | 45 ⁵ | 1 | 0 |
| Total non-derivative financial liabilities | USD m | 1,138 ⁵ | 1,985 ⁵ | 27 ⁵ | 3 ⁵ | 5 ⁶ | 0 |
| Trade count of derivative financial instruments | | | | | | | |
| Total derivative financial instruments | Trade count | 32,006 ⁷ | 40,500 ^{7,8} | 829 ⁹ | 183 ⁹ | 3,744 ⁹ | 184 ⁹ |
| Off-balance sheet exposures | | | | | | | |
| Total irrevocable loan commitments | USD m | 4,606 ¹⁰ | 11,863 ¹¹ | 0 | 0 | 0 | 0 |

¹ As of 31 December 2022, non-USD balances and trade counts are minimal. ² Relates primarily to EUR LIBOR positions. ³ Includes USD 1bn (31 December 2021: USD 1bn) of loans related to revolving multi-currency credit lines, where IBOR transition efforts are complete, except for USD LIBOR. Balances as of 31 December 2021 also include USD 37bn USD LIBOR securities-based lending and USD 5bn brokerage accounts, which for the most part transitioned to SOFR in January 2022. The remaining balances as of 31 December 2022 and 31 December 2021 primarily relate to US mortgages and corporate lending. ⁴ Relates primarily to CHF LIBOR mortgages, which have automatically transitioned to SARON on their first roll date in 2022. ⁵ Relates to floating-rate notes that per their contractual terms can reset to rates linked to LIBOR, with transition dependent upon the actions of respective issuers. ⁶ Relates to contracts that transitioned in January 2022. ⁷ Includes approximately 2,000 (31 December 2021: 1,000) contracts having a contractual maturity after 30 June 2023, with the last USD LIBOR fixing occurring before 30 June 2023. No further contractual fixing is required for these contracts. ⁸ Includes approximately 5,000 cross-currency derivatives, of which approximately 500 have both a non-USD LIBOR leg and a USD LIBOR leg, where the non-USD leg transitioned in January 2022 before the next fixing date. The remainder represents cross-currency swaps with an ARR leg and a USD IBOR leg. ⁹ Includes predominantly bilateral derivatives, which transitioned in January 2022, and an insignificant amount of cleared derivatives, where the respective clearing houses' organized transition happened in January 2022. ¹⁰ Includes approximately USD 3bn of loan commitments that can be drawn in different currencies, however only USD LIBOR transition efforts remain open, with completion scheduled for 2023. ¹¹ Includes loan commitments that can be drawn in different currencies at the client's discretion, of which approximately USD 3bn have only USD LIBOR exposure remaining and approximately USD 2bn retain a non-USD LIBOR interest rate, with transition dependent upon the actions of other parties. The remainder represents loan commitments that can be drawn in US dollars only and will transition on or before 30 June 2023.

Derivatives designated in hedge accounting relationships

UBS AG applies hedge accounting to interest rate risk and foreign exchange risk, including structural foreign exchange risk related to net investments in foreign operations.

- › Refer to “Market risk” in the “Risk management and control” section of this report for more information about how risks arise and how they are managed by UBS AG

Hedging instruments and hedged risk

Interest rate swaps are designated in fair value hedges or cash flow hedges of interest rate risk arising solely from changes in benchmark interest rates. Fair value changes arising from such risk are usually the largest component of the overall change in the fair value of the hedged position in transaction currency.

Cross-currency swaps are designated as fair value hedges of foreign exchange risk. Foreign exchange forwards and foreign exchange swaps are mainly designated as hedges of structural foreign exchange risk related to net investments in foreign operations. In both cases the hedged risk arises solely from changes in the spot foreign exchange rate.

The notional of the designated hedging instruments matches the notional of the hedged items, except when the interest rate swaps are re-designated in cash flow hedges, in which case the hedge ratio designated is determined based on the swap sensitivity.

Hedged items and hedge designation

Fair value hedges of interest rate risk related to debt instruments and loan assets

Fair value hedges of interest rate risk related to debt instruments and loan assets involve swapping fixed cash flows associated with the debt issued, funding from UBS Group AG, debt securities held and long-term fixed-rate mortgage loans in Swiss francs to floating cash flows by entering into interest rate swaps that either receive fixed and pay floating cash flows or that pay fixed and receive floating cash flows.

Designations have been made in US dollars, euro, Swiss francs, Australian dollars, yen, pounds sterling and Singapore dollars. For new hedging instruments and hedged risk designations entered into starting from 2021 in these currencies (with the exception of euro), the benchmark rate was the relevant alternative reference rate (ARR). Following the interbank offered rate (IBOR) transition for swaps with LCH (formerly the London Clearing House) in December 2021, the benchmark hedge rate for Swiss franc, yen and pound sterling designations was changed from an IBOR rate to the relevant ARR with the hedge relationship continuing in accordance with *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*.

Cash flow hedges of forecast transactions

UBS AG hedges forecast cash flows on non-trading financial assets and liabilities that bear interest at variable rates or are expected to be refinanced or reinvested in the future, due to movements in future market rates. The amounts and timing of future cash flows, representing both principal and interest flows, are projected on the basis of contractual terms and other relevant factors, including estimates of prepayments and defaults. The aggregate principal balances and interest cash flows across all portfolios over time form the basis for identifying the non-trading interest rate risk of UBS AG, which is hedged with interest rate swaps, the maximum maturity of which is 15 years. Cash flow forecasts and risk exposures are monitored and adjusted on an ongoing basis, and consequently additional hedging instruments are traded and designated, or are terminated resulting in a hedge discontinuance. Hedge designations have been made in the following currencies: US dollars, euro, Swiss francs, pounds sterling and Hong Kong dollars. The cash flow hedges in Swiss francs, pounds sterling and certain cash flow hedges in US dollars were discontinued and replaced with new ARR designations in December 2021. In addition, the transition of floating rate hedged items in USD to ARR rates in January 2022 resulted in the update of the hedged risk to ARR in the affected hedge relationships without discontinuation of hedge accounting in accordance with *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*.

Fair value hedges of foreign exchange risk related to issued debt instruments

Debt instruments denominated in currencies other than the US dollar are designated in fair value hedges of spot foreign exchange risk, in addition to and separate from the fair value hedges of interest rate risk. Cross-currency swaps economically convert debt denominated in currencies other than the US dollar to US dollars.

Hedges of net investments in foreign operations

UBS AG applies hedge accounting for certain net investments in foreign operations, which include subsidiaries, branches and associates. Upon maturity of hedging instruments, typically two months, the hedge relationship is terminated and new designations are made to reflect any changes in the net investments in foreign operations.

Note 25 Hedge accounting (continued)

Economic relationship between hedged item and hedging instrument

The economic relationship between the hedged item and the hedging instrument is determined based on a qualitative analysis of their critical terms. In cases where hedge designation takes place after origination of the hedging instrument, a quantitative analysis of the possible behavior of the hedging derivative and the hedged item during their respective terms is also performed.

Sources of hedge ineffectiveness

In hedges of interest rate risk, hedge ineffectiveness can arise from mismatches of critical terms and / or the use of different curves to discount the hedged item and instrument, or from entering into a hedge relationship after the trade date of the hedging derivative.

In hedges of foreign exchange risk related to debt issued, hedge ineffectiveness can arise due to the discounting of the hedging instruments and undesignated risk components and lack of such discounting and risk components in the hedged items.

In hedges of net investments in foreign operations, ineffectiveness is unlikely unless the hedged net assets fall below the designated hedged amount. The exceptions are hedges where the hedging currency is not the same as the currency of the foreign operation, where the currency basis may cause ineffectiveness.

Hedge ineffectiveness from financial instruments measured at fair value through profit or loss is recognized in *Other net income*.

Derivatives not designated in hedge accounting relationships

Non-hedge accounted derivatives are mandatorily held for trading with all fair value movements taken to *Other net income from financial instruments measured at fair value through profit or loss*, even when held as an economic hedge or to facilitate client clearing. The one exception relates to forward points on certain short- and long-duration foreign exchange contracts acting as economic hedges, which are reported in *Net interest income*.

All hedges: designated hedging instruments and hedge ineffectiveness

| USD m | As of or for the year ended | | | | | |
|---|-----------------------------|----------------------------------|-----|---|--|--|
| | 31.12.22 | | | | | |
| | Notional amount | Carrying amount | | Changes in fair value of hedging instruments ¹ | Changes in fair value of hedged items ¹ | Hedge ineffectiveness recognized in the income statement |
| | Derivative financial assets | Derivative financial liabilities | | | | |
| Interest rate risk | | | | | | |
| Fair value hedges | 92,415 | 0 | 0 | (5,195) | 5,169 | (27) |
| Cash flow hedges | 75,304 | 2 | 5 | (5,813) | 5,760 | (53) |
| Foreign exchange risk | | | | | | |
| Fair value hedges ² | 20,566 | 845 | 3 | (1,088) | 1,105 | 18 |
| Hedges of net investments in foreign operations | 13,844 | 7 | 528 | 318 | (319) | (1) |

| USD m | As of or for the year ended | | | | | |
|---|-----------------------------|----------------------------------|-----|---|--|--|
| | 31.12.21 | | | | | |
| | Notional amount | Carrying amount | | Changes in fair value of hedging instruments ¹ | Changes in fair value of hedged items ¹ | Hedge ineffectiveness recognized in the income statement |
| | Derivative financial assets | Derivative financial liabilities | | | | |
| Interest rate risk | | | | | | |
| Fair value hedges | 89,525 | 0 | 7 | (1,604) | 1,602 | (2) |
| Cash flow hedges | 79,573 | 12 | 1 | (1,185) | 990 | (196) |
| Foreign exchange risk | | | | | | |
| Fair value hedges ² | 27,875 | 87 | 261 | (2,139) | 2,181 | 42 |
| Hedges of net investments in foreign operations | 13,761 | 23 | 103 | 492 | (491) | 0 |

¹ Amounts used as the basis for recognizing hedge ineffectiveness for the period. ² The foreign currency basis spread of cross-currency swaps designated as hedging derivatives is excluded from the hedge accounting designation and accounted for as a cost of hedging with amounts deferred in Other comprehensive income within Equity.

Note 25 Hedge accounting (continued)

Fair value hedges: designated hedged items

| USD m | 31.12.22 | | 31.12.21 | |
|--|--------------------|---------|--------------------|---------|
| | Interest rate risk | FX risk | Interest rate risk | FX risk |
| Debt issued measured at amortized cost | | | | |
| Carrying amount of designated debt issued | 11,279 | 5,737 | 21,653 | 11,392 |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (1,002) | | 261 | |
| Funding from UBS Group AG | | | | |
| Carrying amount of designated debt instruments | 57,250 | 14,828 | 53,047 | 16,483 |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (5,055) | | 218 | |
| Other financial assets measured at amortized cost – debt securities | | | | |
| Carrying amount of designated debt securities | 4,577 | | 2,677 | |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (180) | | (7) | |
| Loans and advances to customers | | | | |
| Carrying amount of designated loans | 14,270 | | 13,835 | |
| <i>of which: accumulated amount of fair value hedge adjustment</i> | (1,249) | | (109) | |
| <i>of which: accumulated amount of fair value hedge adjustment subject to amortization attributable to the portion of the portfolio that ceased to be part of hedge accounting</i> | (51) | | 3 | |

Fair value hedges: profile of the timing of the nominal amount of the hedging instrument

| USD bn | 31.12.22 | | | | | |
|----------------------|--------------------|----------------------------|-----------------------------|---------------------------|-------------------|-------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Interest rate swaps | 0 | 4 | 10 | 53 | 26 | 92 |
| Cross-currency swaps | 0 | 1 | 2 | 12 | 5 | 21 |

| USD bn | 31.12.21 | | | | | |
|----------------------|--------------------|----------------------------|-----------------------------|---------------------------|-------------------|-------|
| | Due within 1 month | Due between 1 and 3 months | Due between 3 and 12 months | Due between 1 and 5 years | Due after 5 years | Total |
| Interest rate swaps | 0 | 8 | 10 | 49 | 22 | 90 |
| Cross-currency swaps | 1 | 1 | 6 | 13 | 6 | 28 |

Cash flow hedge reserve on a pre-tax basis

| USD m | 31.12.22 | 31.12.21 |
|---|----------------|------------|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | (4,692) | 26 |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | (540) | 743 |
| Total other comprehensive income recognized directly in equity related to cash flow hedges, on a pre-tax basis | (5,232) | 769 |

Foreign currency translation reserve on a pre-tax basis

| USD m | 31.12.22 | 31.12.21 |
|--|------------|------------|
| Amounts related to hedge relationships for which hedge accounting continues to be applied | 250 | (61) |
| Amounts related to hedge relationships for which hedge accounting is no longer applied | 266 | 262 |
| Total other comprehensive income recognized directly in equity related to hedging instruments designated as net investment hedges, on a pre-tax basis | 515 | 201 |

Interest rate benchmark reform

UBS AG continues to apply the relief provided by *Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)*, published by the IASB in September 2019, mainly to its hedges in USD. The cessation date for USD LIBOR is 30 June 2023.

The following table provides details on the notional amount and carrying amount of the hedging instruments in the hedge relationships where the designated risk is LIBOR and maturing after the cessation date of the applicable interest rate benchmarks.

Hedges of net investments in foreign operations are not affected by the amendments.

- › Refer to Note 1a item 2j for more information about the relief provided by the amendments to IFRS 9 and IFRS 7 related to interest rate benchmark reform
- › Refer to Note 24 for more information about the transition progress
- › Refer to earlier parts of this Note for the information about the transition progress of fair value and cash flow hedges

Note 25 Hedge accounting (continued)

Hedging instruments referencing LIBOR

| USD m | 31.12.22 | | | 31.12.21 | | |
|---------------------------|-----------------|-----------------------------|----------------------------------|-----------------|-----------------------------|----------------------------------|
| | Carrying amount | | | Carrying amount | | |
| | Notional amount | Derivative financial assets | Derivative financial liabilities | Notional amount | Derivative financial assets | Derivative financial liabilities |
| Interest rate risk | | | | | | |
| Fair value hedges | 20,383 | 0 | 0 | 23,367 | 0 | 0 |
| Cash flow hedges | 2,179 | 0 | 0 | 10,803 | 0 | 0 |

Note 26 Post-employment benefit plans

a) Defined benefit plans

UBS AG has established defined benefit plans for its employees in various jurisdictions in accordance with local regulations and practices. The major plans are located in Switzerland, the UK, the US and Germany. The level of benefits depends on the specific plan rules.

Swiss pension plan

The Swiss pension plan covers employees of UBS Group AG in Switzerland and employees of companies in Switzerland having close economic or financial ties with UBS Group AG, and exceeds the minimum benefit requirements under Swiss pension law. In 2017, a significant number of employees were transferred from UBS AG to UBS Business Solutions AG, which is a directly held subsidiary of UBS Group AG. There continues to be one pooled pension plan in Switzerland covering the employees of UBS AG and those transferred to UBS Business Solutions AG. UBS AG and UBS Business Solutions AG both are legal sponsors of UBS's Swiss pension plan. Since the date of the employee transfer, UBS AG and UBS Business Solutions AG apply proportionate defined benefit accounting, i.e., the net pension cost and the net pension asset / liability of the Swiss pension plan are allocated proportionally between UBS AG and UBS Business Solutions AG based on the aggregated net pension cost and defined benefit obligations related to their employees. The Swiss plan offers retirement, disability and survivor benefits and is governed by a Pension Foundation Board. The responsibilities of this board are defined by Swiss pension law and the plan rules.

Savings contributions to the Swiss plan are paid by both employer and employee. Depending on the age of the employee, UBS AG pays a savings contribution that ranges between 6.5% and 27.5% of contributory base salary and between 2.8% and 9% of contributory variable compensation. UBS AG also pays risk contributions that are used to fund disability and survivor benefits. Employees can choose the level of savings contributions paid by them, which vary between 2.5% and 13.5% of contributory base salary and between 0% and 9% of contributory variable compensation, depending on age and choice of savings contribution category.

The plan offers to members at the normal retirement age of 65 a choice between a lifetime pension and a partial or full lump sum payment. Participants can choose to draw early retirement benefits starting from the age of 58, but can also continue employment and remain active members of the plan until the age of 70. Employees have the opportunity to make additional purchases of benefits to fund early retirement benefits.

The pension amount payable to a participant is calculated by applying a conversion rate to the accumulated balance of the participant's retirement savings account at the retirement date. The balance is based on credited vested benefits transferred from previous employers, purchases of benefits, and the employee and employer contributions that have been made to the participant's retirement savings account, as well as the interest accrued. The annual interest rate credited to participants is determined by the Pension Foundation Board at the end of each year.

Although the Swiss plan is based on a defined contribution promise under Swiss pension law, it is accounted for as a defined benefit plan under International Financial Reporting Standards (IFRS), primarily because of the obligation to accrue interest on the participants' retirement savings accounts and the payment of lifetime pension benefits.

An actuarial valuation in accordance with Swiss pension law is performed regularly. Should an underfunded situation on this basis occur, the Pension Foundation Board is required to take the necessary measures to ensure that full funding can be expected to be restored within a maximum period of 10 years. If a Swiss plan were to become significantly underfunded on a Swiss pension law basis, additional employer and employee contributions could be required. In this situation, the risk is shared between employer and employees, and the employer is not legally obliged to cover more than 50% of the additional contributions required. As of 31 December 2022, the Swiss plan had a technical funding ratio in accordance with Swiss pension law of 119.0% (31 December 2021: 134.8%).

Note 26 Post-employment benefit plans (continued)

The investment strategy of the Swiss plan complies with Swiss pension law, including the rules and regulations relating to diversification of plan assets, and is derived from the risk budget defined by the Pension Foundation Board on the basis of regularly performed asset and liability management analyses. The Pension Foundation Board strives for a medium- and long-term balance between assets and liabilities.

As of 31 December 2022, the Swiss plan was in a surplus situation on an IFRS measurement basis, as the fair value of the plan's assets exceeded the defined benefit obligation (DBO) by USD 4,418m (31 December 2021: USD 3,716m). However, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit, which equals the difference between the present value of the estimated future net service cost and the present value of the estimated future employer contributions. As of both 31 December 2022 and 31 December 2021, the estimated future economic benefit was zero and hence no net defined benefit asset was recognized on the balance sheet.

Changes to the Swiss pension plan in 2019

The Pension Foundation Board and UBS AG agreed to implement measures that took effect from the start of 2019 to support the long-term financial stability of the Swiss pension fund. The measures, among other things, lowered the conversion rate and increased the normal retirement age from 64 to 65. Pensions already in payment on 1 January 2019 were not affected.

To mitigate the effects for active participants, UBS AG committed to pay an extraordinary contribution and contributed CHF 390m (USD 421m) in three installments in 2020, 2021 and 2022. The installments of USD 143m, USD 152m and USD 126m paid in 2020, 2021 and 2022 reduced other comprehensive income with no effect on the income statement.

The regular employer contributions to be made to the Swiss plan in 2023 are estimated at USD 275m.

UK pension plan

The UK plan is a career-average revalued earnings scheme, and benefits increase automatically based on UK price inflation, subject to defined caps. The normal retirement age for participants in the UK plan is 60. The plan provides guaranteed lifetime pension benefits to participants upon retirement. The UK plan has been closed to new entrants for more than 20 years and, since 2013, participants are no longer accruing benefits for current or future service. Instead, employees participate in the UK defined contribution plan.

The governance responsibility for the UK plan lies jointly with the Pension Trustee Board and UBS AG. The employer contributions to the pension fund reflect agreed-upon deficit funding contributions, which are determined on the basis of the most recent actuarial valuation using assumptions agreed by the Pension Trustee Board and UBS AG. In the event of underfunding, UBS AG and the Pension Trustee Board must agree on a deficit recovery plan within statutory deadlines. In 2022, UBS AG made deficit funding contributions of USD 5m to the UK plan. In 2021, UBS AG made no deficit funding contributions.

The plan assets are invested in a diversified portfolio of financial assets, which include longevity swaps with an external insurance company. These swaps enable the UK pension plan to hedge the risk between expected and actual longevity, which should mitigate volatility in the net defined benefit asset / liability. As of 31 December 2022, the longevity swaps had a negative value of USD 1m (31 December 2021: negative USD 3m).

In 2019, UBS AG and the Pension Trustee Board entered into an arrangement whereby a collateral pool was established to provide security for the pension fund. The value of the collateral pool as of 31 December 2022 was USD 292m (31 December 2021: USD 337m) and includes corporate bonds, government-related debt instruments and other financial assets. The arrangement provides the Pension Trustee Board dedicated access to a pool of assets in the event of UBS AG's insolvency or not paying a required deficit funding contribution.

The employer contributions to be made to the UK defined benefit plan in 2023 are estimated at USD 18m, subject to regular funding reviews during the year.

Note 26 Post-employment benefit plans (continued)

US pension plans

There are two distinct major defined benefit plans in the US, with a normal retirement age of 65. Both plans were closed to new entrants more than 20 years ago. Since they closed, new employees have participated in a defined contribution plan.

One of the defined benefit plans is a contribution-based plan in which each participant accrues a percentage of salary in a retirement savings account. The retirement savings account is credited annually with interest based on a rate that is linked to the average yield on one-year US government bonds. For the other defined benefit plan, retirement benefits accrue based on the career-average earnings of each individual plan participant. Former employees with vested benefits have the option of taking a lump sum payment or a lifetime annuity.

As required under applicable pension laws, both plans have fiduciaries who, together with UBS AG, are responsible for the governance of the plans.

The plan assets of both plans are invested in diversified portfolios of financial assets. Each plan's fiduciaries are responsible for the investment decisions with respect to the plan assets.

The employer contributions to be made to the US defined benefit plans in 2023 are estimated at USD 11m.

German pension plans

There are two unfunded defined benefit plans in Germany. The normal retirement age is 65 and benefits are paid directly by UBS AG. In the larger of the two plans each participant accrues a percentage of salary in a retirement savings account. The accumulated account balance of the participant is credited on an annual basis with guaranteed interest at a rate of 5%. The plan has been closed to new entrants, and all participants younger than the age of 55 as of June 2021 no longer accrue benefits. In the other plan, amounts are accrued annually based on employee elections related to variable compensation. For this plan, the accumulated account balance is credited on an annual basis with a guaranteed interest rate of 6% for amounts accrued before 2010, of 4% for amounts accrued from 2010 to 2017 and of 0.9% for amounts accrued after 2017. Both plans are subject to German pension law, whereby the responsibility to pay pension benefits when they are due resides entirely with UBS AG. A portion of the pension payments is directly increased in line with price inflation.

In June 2021, UBS AG implemented a new funded pension plan with interest credited to participants equal to actual investment returns with a guaranteed minimum of 0%. The plan was implemented retrospectively for new hires since June 2018 and for all eligible active participants younger than 55 from July 2021. Each participant accrues a percentage of salary in a retirement savings account.

The employer contributions to be made to the German defined benefit plans in 2023 are estimated at USD 12m.

Financial information by plan

The tables below provide an analysis of the movement in the net asset / liability recognized on the balance sheet for defined benefit plans, as well as an analysis of amounts recognized in net profit and in *Other comprehensive income*.

Note 26 Post-employment benefit plans (continued)

Defined benefit plans

| USD m | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|--|--------------------|---------------|-----------------|--------------|-----------------------------|--------------|---------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Defined benefit obligation at the beginning of the year | 15,480 | 15,619 | 4,105 | 4,162 | 1,740 | 1,905 | 21,324 | 21,686 |
| Current service cost | 240 | 285 | 0 | 0 | 5 | 6 | 244 | 291 |
| Interest expense | 195 | 33 | 67 | 58 | 35 | 30 | 297 | 122 |
| Plan participant contributions | 154 | 161 | 0 | 0 | 0 | 0 | 154 | 161 |
| Remeasurements | (2,424) | 490 | (1,474) | 71 | (267) | (62) | (4,165) | 498 |
| of which: actuarial (gains) / losses due to changes in demographic assumptions | 2 | 26 | (6) | 14 | 1 | 4 | (3) | 45 |
| of which: actuarial (gains) / losses due to changes in financial assumptions | (2,653) | (385) | (1,575) | (3) | (279) | (78) | (4,506) | (466) |
| of which: experience (gains) / losses ¹ | 226 | 848 | 107 | 59 | 11 | 12 | 344 | 919 |
| Past service cost related to plan amendments | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 4 |
| Curtailements | (13) | (49) | 0 | 0 | 0 | 0 | (13) | (49) |
| Benefit payments | (796) | (602) | (123) | (148) | (111) | (112) | (1,030) | (862) |
| Other movements | (5) | 0 | 0 | 0 | 0 | 1 | (5) | 1 |
| Foreign currency translation | (291) | (456) | (408) | (38) | (28) | (33) | (727) | (527) |
| Defined benefit obligation at the end of the year | 12,539 | 15,480 | 2,166 | 4,105 | 1,375 | 1,740 | 16,080 | 21,324 |
| of which: amounts owed to active members | 7,103 | 8,604 | 65 | 150 | 169 | 222 | 7,336 | 8,976 |
| of which: amounts owed to deferred members | 0 | 0 | 656 | 1,593 | 528 | 669 | 1,184 | 2,262 |
| of which: amounts owed to retirees | 5,436 | 6,876 | 1,445 | 2,362 | 678 | 849 | 7,560 | 10,086 |
| of which: funded plans | 12,539 | 15,480 | 2,166 | 4,105 | 1,011 | 1,222 | 15,717 | 20,806 |
| of which: unfunded plans | 0 | 0 | 0 | 0 | 363 | 518 | 363 | 518 |
| Fair value of plan assets at the beginning of the year | 19,196 | 18,358 | 4,297 | 4,149 | 1,329 | 1,360 | 24,821 | 23,867 |
| Return on plan assets excluding interest income | (1,942) | 1,319 | (1,312) | 277 | (223) | 40 | (3,476) | 1,637 |
| Interest income | 274 | 42 | 70 | 58 | 31 | 26 | 376 | 127 |
| Employer contributions | 401 | 450 | 5 | 0 | 16 | 16 | 422 | 466 |
| Plan participant contributions | 154 | 161 | 0 | 0 | 0 | 0 | 154 | 161 |
| Benefit payments | (796) | (602) | (123) | (148) | (111) | (112) | (1,030) | (862) |
| Administration expenses, taxes and premiums paid | (7) | (8) | 0 | 0 | (3) | (4) | (11) | (11) |
| Other movements | (1) | 0 | 0 | 0 | 0 | 1 | (1) | 1 |
| Foreign currency translation | (322) | (524) | (450) | (39) | 0 | 0 | (772) | (563) |
| Fair value of plan assets at the end of the year | 16,957 | 19,196 | 2,488 | 4,297 | 1,039 | 1,329 | 20,484 | 24,821 |
| Surplus / (deficit) | 4,418 | 3,716 | 321 | 192 | (335) | (411) | 4,404 | 3,497 |
| Asset ceiling effect at the beginning of the year | 3,716 | 2,739 | 0 | 0 | 0 | 0 | 3,716 | 2,739 |
| Interest expense on asset ceiling effect | 77 | 8 | 0 | 0 | 0 | 0 | 77 | 8 |
| Asset ceiling effect excluding interest expense and foreign currency translation on asset ceiling effect | 656 | 1,037 | 0 | 0 | 0 | 0 | 656 | 1,037 |
| Foreign currency translation | (31) | (68) | 0 | 0 | 0 | 0 | (31) | (68) |
| Asset ceiling effect at the end of the year | 4,418 | 3,716 | 0 | 0 | 0 | 0 | 4,418 | 3,716 |
| Net defined benefit asset / (liability) of major plans | 0 | 0 | 321 | 192 | (335) | (411) | (14) | (219) |
| Net defined benefit asset / (liability) of remaining plans | | | | | | | (80) | (96) |
| Total net defined benefit asset / (liability) | | | | | | | (94) | (315) |
| of which: Net defined benefit asset | | | | | | | 355 | 302 |
| of which: Net defined benefit liability ² | | | | | | | (449) | (617) |

¹ Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. ² Refer to Note 18c.

Note 26 Post-employment benefit plans (continued)

Income statement – expenses related to defined benefit plans¹

| USD m | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|---|--------------------|------------|-----------------|----------|-----------------------------|-----------|------------|------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| For the year ended | | | | | | | | |
| Current service cost | 240 | 285 | 0 | 0 | 5 | 6 | 244 | 291 |
| Interest expense related to defined benefit obligation | 195 | 33 | 67 | 58 | 35 | 30 | 297 | 122 |
| Interest income related to plan assets | (274) | (42) | (70) | (58) | (31) | (26) | (376) | (127) |
| Interest expense on asset ceiling effect | 77 | 8 | 0 | 0 | 0 | 0 | 77 | 8 |
| Administration expenses, taxes and premiums paid | 7 | 8 | 0 | 0 | 3 | 4 | 11 | 11 |
| Past service cost related to plan amendments | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 4 |
| Curtailements | (13) | (49) | 0 | 0 | 0 | 0 | (13) | (49) |
| Net periodic expenses recognized in net profit for major plans | 230 | 243 | (3) | 0 | 12 | 18 | 239 | 261 |
| Net periodic expenses recognized in net profit for remaining plans² | | | | | | | 17 | 19 |
| Total net periodic expenses recognized in net profit | | | | | | | 256 | 280 |

¹ Refer to Note 6. ² Includes differences between actual and estimated performance award accruals.

Other comprehensive income – gains / (losses) on defined benefit plans

| USD m | Swiss pension plan | | UK pension plan | | US and German pension plans | | Total | |
|--|--------------------|--------------|-----------------|------------|-----------------------------|------------|-----------|------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| For the year ended | | | | | | | | |
| Remeasurement of defined benefit obligation | 2,424 | (490) | 1,474 | (71) | 267 | 62 | 4,165 | (498) |
| of which: change in discount rate assumption | 3,078 | 494 | 1,451 | 319 | 317 | 77 | 4,846 | 890 |
| of which: change in rate of pension increase assumption | 0 | 0 | 123 | (316) | (5) | (1) | 118 | (318) |
| of which: change in rate of interest credit on retirement savings assumption | (408) | (110) | 0 | 0 | (82) | (1) | (490) | (110) |
| of which: change in life expectancy | 0 | 0 | 5 | 9 | (1) | (3) | 4 | 5 |
| of which: change in other actuarial assumptions | (19) | (26) | 1 | (23) | 48 | 2 | 30 | (47) |
| of which: experience gains / (losses) ¹ | (226) | (848) | (107) | (59) | (11) | (12) | (344) | (919) |
| Return on plan assets excluding interest income | (1,942) | 1,319 | (1,312) | 277 | (223) | 40 | (3,476) | 1,637 |
| Asset ceiling effect excluding interest expense and foreign currency translation | (656) | (1,037) | 0 | 0 | 0 | 0 | (656) | (1,037) |
| Total gains / (losses) recognized in other comprehensive income for major plans | (173) | (207) | 162 | 207 | 43 | 102 | 32 | 102 |
| Total gains / (losses) recognized in other comprehensive income for remaining plans | | | | | | | 8 | 31 |
| Total gains / (losses) recognized in other comprehensive income² | | | | | | | 40 | 133 |

¹ Experience (gains) / losses are a component of actuarial remeasurements of the defined benefit obligation and reflect the effects of differences between the previous actuarial assumptions and what has actually occurred. ² Refer to the "Statement of comprehensive income."

The table below provides information about the duration of the DBO and the timing for expected benefit payments.

| | Swiss pension plan | | UK pension plan | | US and German pension plans ¹ | |
|--|--------------------|-------------|-----------------|-------------|--|------------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Duration of the defined benefit obligation (in years) | 13.4 | 15.5 | 13.7 | 18.8 | 7.9 | 9.5 |
| Maturity analysis of benefits expected to be paid | | | | | | |
| USD m | | | | | | |
| Benefits expected to be paid within 12 months | 702 | 719 | 107 | 110 | 123 | 123 |
| Benefits expected to be paid between 1 and 3 years | 1,445 | 1,440 | 234 | 248 | 232 | 237 |
| Benefits expected to be paid between 3 and 6 years | 2,183 | 2,097 | 384 | 418 | 335 | 338 |
| Benefits expected to be paid between 6 and 11 years | 3,751 | 3,467 | 667 | 743 | 502 | 495 |
| Benefits expected to be paid between 11 and 16 years | 3,519 | 3,156 | 667 | 751 | 388 | 392 |
| Benefits expected to be paid in more than 16 years | 13,243 | 10,733 | 2,570 | 3,028 | 516 | 519 |

¹ The duration of the defined benefit obligation represents a weighted average across US and German plans.

Note 26 Post-employment benefit plans (continued)

Actuarial assumptions

The actuarial assumptions used for the defined benefit plans are based on the economic conditions prevailing in the jurisdiction in which they are offered. Changes in the defined benefit obligation are most sensitive to changes in the discount rate. The discount rate is based on the yield of high-quality corporate bonds quoted in an active market in the currency of the respective plan. A decrease in the discount curve increases the DBO. UBS AG regularly reviews the actuarial assumptions used in calculating the DBO to determine their continuing relevance.

› Refer to Note 1a item 5 for a description of the accounting policy for defined benefit plans

The tables below show the significant actuarial assumptions used in calculating the DBO at the end of the year.

Significant actuarial assumptions

| In % | Swiss pension plan | | UK pension plan | | US pension plans | | German pension plans | |
|---|--------------------|----------|-----------------|----------|-------------------|-------------------|----------------------|----------|
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Discount rate | 2.34 | 0.34 | 5.02 | 1.82 | 4.92 ¹ | 2.47 ¹ | 3.81 | 0.99 |
| Rate of pension increase | 0.00 | 0.00 | 3.08 | 3.32 | 0.00 | 0.00 | 2.20 | 1.80 |
| Rate of interest credit on retirement savings | 3.39 | 1.04 | 0.00 | 0.00 | 5.73 ² | 1.18 ² | 0.00 | 0.00 |

¹ Represents weighted average across US pension plans. ² Only applicable to one of the US pension plans

Mortality tables and life expectancies for major plans

| Country | Mortality table | Life expectancy at age 65 for a male member currently | | | |
|-------------|---|---|----------|----------|----------|
| | | aged 65 | | aged 45 | |
| | | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Switzerland | BVG 2020 G with CMI 2021 projections ¹ | 21.7 | 21.7 | 23.4 | 23.3 |
| UK | S3PA with CMI 2021 projections ² | 23.5 | 23.4 | 24.6 | 24.5 |
| USA | Pri-2012 with MP-2021 projection scale | 22.0 | 21.9 | 23.3 | 23.3 |
| Germany | Dr. K. Heubeck 2018 G | 20.6 | 20.5 | 23.4 | 23.2 |

| Country | Mortality table | Life expectancy at age 65 for a female member currently | | | |
|-------------|---|---|----------|----------|----------|
| | | aged 65 | | aged 45 | |
| | | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Switzerland | BVG 2020 G with CMI 2021 projections ¹ | 23.5 | 23.4 | 25.1 | 25.0 |
| UK | S3PA with CMI 2021 projections ² | 25.0 | 24.9 | 26.4 | 26.3 |
| USA | Pri-2012 with MP-2021 projection scale | 23.4 | 23.3 | 24.8 | 24.7 |
| Germany | Dr. K. Heubeck 2018 G | 24.0 | 23.9 | 26.3 | 26.1 |

¹ In 2021, BVG 2020 G with CMI 2019 projections was used. ² In 2021, S3PA with CMI 2020 projections was used.

Sensitivity analysis of significant actuarial assumptions

The table below presents a sensitivity analysis for each significant actuarial assumption, showing how the DBO would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the balance sheet date. Unforeseen circumstances may arise, which could result in variations that are outside the range of alternatives deemed reasonably possible. Caution should be used in extrapolating the sensitivities below on the DBO, as the sensitivities may not be linear.

Sensitivity analysis of significant actuarial assumptions¹

| Increase / (decrease) in defined benefit obligation | Swiss pension plan | | UK pension plan | | US and German pension plans | |
|--|--------------------|----------------|-----------------|----------------|-----------------------------|----------|
| USD m | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Discount rate | | | | | | |
| Increase by 50 basis points | (641) | (975) | (141) | (361) | (51) | (78) |
| Decrease by 50 basis points | 723 | 1,116 | 157 | 411 | 55 | 84 |
| Rate of pension increase | | | | | | |
| Increase by 50 basis points | 487 | 749 | 127 | 334 | 4 | 6 |
| Decrease by 50 basis points | – ² | – ² | (118) | (306) | (3) | (6) |
| Rate of interest credit on retirement savings | | | | | | |
| Increase by 50 basis points | 106 | 134 | – ³ | – ³ | 9 | 8 |
| Decrease by 50 basis points | (106) | (134) | – ³ | – ³ | (8) | (7) |
| Life expectancy | | | | | | |
| Increase in longevity by one additional year | 304 | 475 | 65 | 184 | 39 | 56 |

¹ The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded. ² As the assumed rate of pension increase was 0% as of 31 December 2022 and as of 31 December 2021, a downward change in assumption is not applicable. ³ As the UK plan does not provide interest credits on retirement savings, a change in assumption is not applicable.

Note 26 Post-employment benefit plans (continued)

Fair value of plan assets

The tables below provide information about the composition and fair value of plan assets of the major pension plans.

Composition and fair value of plan assets

Swiss pension plan

| | 31.12.22 | | | | 31.12.21 | | | |
|--|----------------------------|--------------|-----------------|-------------------------|----------------------------|-------|-----------------|-------------------------|
| | Fair value | | | Plan asset allocation % | Fair value | | | Plan asset allocation % |
| | Quoted in an active market | Other | Total | | Quoted in an active market | Other | Total | |
| <i>USD m</i> | | | | | | | | |
| Cash and cash equivalents | 183 | 0 | 183 | 1 | 106 | 0 | 106 | 1 |
| Real estate / property | | | | | | | | |
| Domestic | 0 | 2,130 | 2,130 | 13 | 0 | 1,994 | 1,994 | 10 |
| Foreign | 0 | 517 | 517 | 3 | 0 | 328 | 328 | 2 |
| Investment funds | | | | | | | | |
| Equity | | | | | | | | |
| Domestic | 418 | 0 | 418 | 2 | 476 | 0 | 476 | 2 |
| Foreign | 2,794 | 1,222 | 4,017 | 24 | 3,510 | 1,498 | 5,009 | 26 |
| Bonds ¹ | | | | | | | | |
| Domestic, AAA to BBB- | 2,117 | 0 | 2,117 | 12 | 2,512 | 0 | 2,512 | 13 |
| Foreign, AAA to BBB- | 3,395 | 0 | 3,395 | 20 | 2,877 | 0 | 2,877 | 15 |
| Foreign, below BBB- | 598 | 0 | 598 | 4 | 742 | 0 | 742 | 4 |
| Other | 867 | 1,997 | 2,864 | 17 | 2,379 | 2,010 | 4,389 | 23 |
| Other investments | 351 | 367 | 718 | 4 | 377 | 385 | 762 | 4 |
| Total fair value of plan assets | 10,724 | 6,233 | 16,957 | 100 | 12,980 | 6,216 | 19,196 | 100 |
| | | | 31.12.22 | | | | 31.12.21 | |
| Total fair value of plan assets | | | 16,957 | | | | 19,196 | |
| <i>of which:</i> ² | | | | | | | | |
| Bank accounts at UBS AG | | | 189 | | | | 109 | |
| UBS AG debt instruments | | | 28 | | | | 16 | |
| UBS Group AG shares | | | 15 | | | | 14 | |
| Securities lent to UBS AG ³ | | | 489 | | | | 608 | |
| Property occupied by UBS | | | 51 | | | | 52 | |
| Derivative financial instruments, counterparty UBS AG ³ | | | 43 | | | | 72 | |

1 The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB- and below BBB- represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification. 2 Bank accounts at UBS AG encompass accounts in the name of the Swiss pension fund. The other positions disclosed in the table encompass both direct investments in UBS AG instruments and UBS Group AG shares and indirect investments, i.e., those made through funds that the pension fund invests in. 3 Securities lent to UBS AG and derivative financial instruments are presented gross of any collateral. Securities lent to UBS AG were fully covered by collateral as of 31 December 2022 and 31 December 2021. Net of collateral, derivative financial instruments amounted to negative USD 5m as of 31 December 2022 (31 December 2021: positive USD 24m).

Note 26 Post-employment benefit plans (continued)

Composition and fair value of plan assets (continued)

UK pension plan

| USD m | 31.12.22 | | | | Plan asset allocation % | 31.12.21 | | | Plan asset allocation % |
|--|----------------------------|------------|--------------|----------------------------|-------------------------|----------------------------|------------|--------------|-------------------------|
| | Fair value | | | Quoted in an active market | | Fair value | | | |
| | Quoted in an active market | Other | Total | | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 104 | 0 | 104 | | 4 | 147 | 0 | 147 | 3 |
| Bonds¹ | | | | | | | | | |
| Domestic, AAA to BBB- | 1,729 | 0 | 1,729 | | 69 | 2,605 | 0 | 2,605 | 61 |
| Foreign, AAA to BBB- | 297 | 0 | 297 | | 12 | 372 | 0 | 372 | 9 |
| Foreign, below BBB- | 7 | 0 | 7 | | 0 | 4 | 0 | 4 | 0 |
| Investment funds | | | | | | | | | |
| Equity | | | | | | | | | |
| Domestic | 19 | 3 | 22 | | 1 | 44 | 4 | 47 | 1 |
| Foreign | 366 | 0 | 366 | | 15 | 921 | 0 | 921 | 21 |
| Bonds ¹ | | | | | | | | | |
| Domestic, AAA to BBB- | 367 | 90 | 457 | | 18 | 532 | 147 | 679 | 16 |
| Domestic, below BBB- | 1 | 0 | 1 | | 0 | 12 | 0 | 12 | 0 |
| Foreign, AAA to BBB- | 90 | 0 | 90 | | 4 | 179 | 0 | 179 | 4 |
| Foreign, below BBB- | 114 | 0 | 114 | | 5 | 115 | 0 | 115 | 3 |
| Real estate | | | | | | | | | |
| Domestic | 64 | 0 | 64 | | 3 | 110 | 12 | 122 | 3 |
| Foreign | 6 | 31 | 36 | | 1 | 6 | 34 | 40 | 1 |
| Other | (280) | 0 | (280) | | (11) | (313) | 0 | (313) | (7) |
| Repurchase agreements | (612) | 0 | (612) | | (25) | (725) | 0 | (725) | (17) |
| Other investments | 66 | 27 | 94 | | 4 | 65 | 26 | 91 | 2 |
| Total fair value of plan assets | 2,336 | 151 | 2,488 | | 100 | 4,074 | 223 | 4,297 | 100 |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB- and below BBB- represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

US and German pension plans

| USD m | 31.12.22 | | | | Plan asset allocation % | 31.12.21 | | | Plan asset allocation % |
|--|----------------------------|-----------|--------------|----------------------------|-------------------------|----------------------------|-----------|--------------|-------------------------|
| | Fair value | | | Quoted in an active market | | Fair value | | | |
| | Quoted in an active market | Other | Total | | | Quoted in an active market | Other | Total | |
| Cash and cash equivalents | 7 | 0 | 7 | | 1 | 11 | 0 | 11 | 1 |
| Equity | | | | | | | | | |
| Domestic | 55 | 0 | 55 | | 5 | 79 | 0 | 79 | 6 |
| Foreign | 24 | 0 | 24 | | 2 | 31 | 0 | 31 | 2 |
| Bonds¹ | | | | | | | | | |
| Domestic, AAA to BBB- | 359 | 0 | 359 | | 35 | 486 | 0 | 486 | 37 |
| Domestic, below BBB- | 4 | 0 | 4 | | 0 | 17 | 0 | 17 | 1 |
| Foreign, AAA to BBB- | 74 | 0 | 74 | | 7 | 97 | 0 | 97 | 7 |
| Foreign, below BBB- | 3 | 0 | 3 | | 0 | 6 | 0 | 6 | 0 |
| Investment funds | | | | | | | | | |
| Equity | | | | | | | | | |
| Domestic | 27 | 0 | 27 | | 3 | 3 | 0 | 3 | 0 |
| Foreign | 33 | 0 | 33 | | 3 | 56 | 0 | 56 | 4 |
| Bonds ¹ | | | | | | | | | |
| Domestic, AAA to BBB- | 266 | 0 | 266 | | 26 | 269 | 0 | 269 | 20 |
| Domestic, below BBB- | 109 | 0 | 109 | | 10 | 147 | 0 | 147 | 11 |
| Foreign, AAA to BBB- | 2 | 0 | 2 | | 0 | 11 | 0 | 11 | 1 |
| Foreign, below BBB- | 5 | 0 | 5 | | 0 | 2 | 0 | 2 | 0 |
| Real estate | | | | | | | | | |
| Domestic | 0 | 11 | 11 | | 1 | 0 | 9 | 9 | 1 |
| Other | 54 | 0 | 54 | | 5 | 99 | 0 | 99 | 7 |
| Other investments | 5 | 1 | 6 | | 1 | 5 | 1 | 6 | 0 |
| Total fair value of plan assets | 1,027 | 12 | 1,039 | | 100 | 1,319 | 10 | 1,329 | 100 |

¹ The bond credit ratings are primarily based on S&P's credit ratings. Ratings AAA to BBB- and below BBB- represent investment grade and non-investment grade ratings, respectively. In cases where credit ratings from other rating agencies were used, these were converted to the equivalent rating in S&P's rating classification.

Note 26 Post-employment benefit plans (continued)

b) Defined contribution plans

UBS AG sponsors a number of defined contribution plans, with the most significant plans in the US and the UK. UBS AG's obligation is limited to its contributions made in accordance with each plan, which may include direct contributions and matching contributions. Employer contributions to defined contribution plans are recognized as an expense and were USD 299m in 2022, USD 303m in 2021 and USD 291m in 2020.

› Refer to Note 6 for more information

c) Related-party disclosure

UBS AG is the principal provider of banking services for the pension fund of UBS AG in Switzerland. In this capacity, UBS AG is engaged to execute most of the pension fund's banking activities. These activities can include, but are not limited to, trading, securities lending and borrowing and derivative transactions. The non-Swiss UBS AG pension funds do not have a similar banking relationship with UBS AG. During 2022, UBS AG received USD 20m in fees for banking services from the major post-employment benefit plans (2021: USD 22m). As of 31 December 2022, the major post-employment benefit plans held USD 253m in UBS Group AG shares (31 December 2021: USD 241m).

› Refer to the "Composition and fair value of plan assets" table in Note 26a for more information about fair value of investments in UBS AG and UBS Group AG instruments held by the Swiss pension fund

Note 27 Employee benefits: variable compensation

a) Plans offered

UBS has several share-based and other deferred compensation plans that align the interests of Group Executive Board (GEB) members and other employees with the interests of investors.

Share-based awards are granted in the form of notional shares and, where permitted, carry a dividend equivalent that may be paid in notional shares or cash. Awards are settled by delivering UBS shares at vesting, except in jurisdictions where this is not permitted for legal or tax reasons.

Deferred compensation awards are generally forfeitable upon, among other circumstances, voluntary termination of employment with UBS. These compensation plans are also designed to meet regulatory requirements and include special provisions for regulated employees. For the majority of variable compensation awards granted under such plans to employees of UBS AG, the grantor entity is UBS Group AG. Expenses associated with these awards are charged by UBS Group AG to UBS AG. For the purpose of this Note, references to shares refer to UBS Group AG shares.

The most significant deferred compensation plans are described below.

› Refer to Note 1a item 4 for a description of the accounting policy related to share-based and other deferred compensation plans

Mandatory deferred compensation plans

Long-Term Incentive Plan

The Long-Term Incentive Plan (LTIP) is a mandatory deferred share-based compensation plan for GEB members for the performance year 2022. For prior performance years, LTIP was granted to senior leaders of the Group (i.e., GEB members and selected senior management).

The number of notional shares delivered at vesting depends on two equally weighted performance metrics over a three-year performance period: return on common equity tier 1 (CET1) capital and relative total shareholder return, which compares the total shareholder return (TSR) of UBS with the TSR of an index consisting of listed Global Systemically Important Banks as determined by the Financial Stability Board (excluding UBS). The final number of shares vest over three years following the performance period for GEB members, and cliff-vest in the year following the performance period for selected senior management.

Equity Ownership Plan / Fund Ownership Plan

The Equity Ownership Plan (EOP) is the deferred share-based compensation plan for employees outside of the GEB that are subject to deferral requirements. EOP awards generally vest over three years.

Certain Asset Management employees receive some or all of their EOP in the form of notional funds (Fund Ownership Plan or FOP, previously named AM EOP). This plan is generally delivered in cash and vests over three years. The amount delivered depends on the value of the underlying investment funds at the time of vesting.

Note 27 Employee benefits: variable compensation (continued)

Deferred Contingent Capital Plan

The Deferred Contingent Capital Plan (DCCP) is a deferred compensation plan for all employees who are subject to deferral requirements. Such employees are awarded notional additional tier 1 (AT1) capital instruments, which, at the discretion of UBS, can be settled in cash or a perpetual, marketable AT1 capital instrument. DCCP awards generally bear notional interest paid annually (except for certain regulated employees) and vest in full after five years. Awards are forfeited if a viability event occurs (i.e., if FINMA notifies the firm that the DCCP awards must be written down to mitigate the risk of insolvency, bankruptcy or failure of UBS) or if the firm receives a commitment of extraordinary support from the public sector that is necessary to prevent such an event. DCCP awards are also written down if the Group's CET1 capital ratio falls below a defined threshold. In addition, GEB members forfeit 20% of DCCP awards for each loss-making year during the vesting period.

Financial advisor variable compensation

In line with market practice for US wealth management businesses, the compensation for US financial advisors in Global Wealth Management consists of cash compensation and deferred compensation awards, determined using a formulaic approach based on production.

Cash compensation reflects a percentage of the compensable production that each financial advisor generates. Compensable production is generally based on transaction revenue and investment advisory fees and may reflect further adjustments. The percentage rate generally varies based on the level of the production and firm tenure.

Financial advisors may also be granted annual deferred compensation. These amounts generally vest over a six-year period. The annual deferred compensation amount reflects the overall percentage rate and production.

Cash compensation and deferred compensation awards may be reduced for, among other things, errors, negligence or carelessness, or failure to comply with the firm's rules, standards, practices and / or policies, and / or applicable laws and regulations.

Financial advisors may also participate in additional programs to support promoting and developing their business or supporting the transition of client relationships where appropriate. Financial advisor compensation also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements.

Note 27 Employee benefits: variable compensation (continued)

b) Effect on the income statement

Effect on the income statement for the financial year and future periods

The table below provides information about compensation expenses related to total variable compensation that were recognized in the financial year ended 31 December 2022, as well as expenses that were deferred and will be recognized in the income statement for 2023 and later. The majority of expenses deferred to 2023 and later that are related to the 2022 performance year pertain to awards granted in February 2023. The total unamortized compensation expense for unvested share-based awards granted up to 31 December 2022 will be recognized in future periods over a weighted average period of 2.5 years.

Variable compensation

| USD m | Expenses recognized in 2022 | | | Expenses deferred to 2023 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2022 performance year | Related to prior performance years | Total | Related to the 2022 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,012 | (9) | 2,003 | 0 | 0 | 0 |
| Deferred compensation awards | 346 | 561 | 907 | 582 | 730 | 1,312 |
| <i>of which: Equity Ownership Plan</i> | 191 | 225 | 416 | 294 | 240 | 534 |
| <i>of which: Deferred Contingent Capital Plan</i> | 123 | 211 | 334 | 238 | 395 | 634 |
| <i>of which: Long-Term Incentive Plan</i> | 11 | 30 | 41 | 30 | 40 | 70 |
| <i>of which: Fund Ownership Plan</i> | 21 | 95 | 116 | 20 | 54 | 74 |
| Variable compensation – performance awards | 2,358 | 552 | 2,910 | 582 | 730 | 1,312 |
| Variable compensation – financial advisors² | 3,799 | 709 | 4,508 | 1,290 | 2,652 | 3,942 |
| <i>of which: non-deferred cash</i> | 3,481 | 0 | 3,481 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 104 | 62 | 166 | 122 | 180 | 302 |
| <i>of which: deferred cash-based awards</i> | 185 | 215 | 400 | 588 | 636 | 1,224 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 29 | 432 | 461 | 580 | 1,836 | 2,416 |
| Variable compensation – other³ | 146 | 72 | 217 | 230 | 189 | 419 |
| Total variable compensation | 6,304 | 1,332 | 7,636⁴ | 2,101 | 3,571 | 5,672 |

¹ Estimate as of 31 December 2022. Actual amounts to be expensed in future periods may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 680m in expenses related to share-based compensation (performance awards: USD 457m; other variable compensation: USD 56m; financial advisor compensation: USD 166m). A further USD 80m in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 4m, related to role-based allowances; social security: USD 57m; other personnel expenses: USD 19m related to the Equity Plus Plan).

Note 27 Employee benefits: variable compensation (continued)

Variable compensation (continued)

| USD m | Expenses recognized in 2021 | | | Expenses deferred to 2022 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2021 performance year | Related to prior performance years | Total | Related to the 2021 performance year | Related to prior performance years | Total |
| Non-deferred cash | 2,136 | (8) | 2,128 | 0 | 0 | 0 |
| Deferred compensation awards | 389 | 399 | 788 | 767 | 606 | 1,373 |
| <i>of which: Equity Ownership Plan</i> | 175 | 174 | 350 | 374 | 180 | 553 |
| <i>of which: Deferred Contingent Capital Plan</i> | 134 | 151 | 285 | 290 | 318 | 608 |
| <i>of which: Long-Term Incentive Plan</i> | 51 | 17 | 69 | 48 | 32 | 79 |
| <i>of which: Fund Ownership Plan</i> | 29 | 55 | 84 | 56 | 77 | 133 |
| Variable compensation – performance awards | 2,525 | 391 | 2,916 | 767 | 606 | 1,373 |
| Variable compensation – financial advisors² | 4,175 | 685 | 4,860 | 1,097 | 2,323 | 3,419 |
| <i>of which: non-deferred cash</i> | 3,858 | (6) | 3,853 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 106 | 51 | 157 | 123 | 146 | 269 |
| <i>of which: deferred cash-based awards</i> | 170 | 202 | 372 | 311 | 495 | 806 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 41 | 438 | 479 | 662 | 1,682 | 2,344 |
| Variable compensation – other³ | 163 | 33 | 196 | 210 | 178 | 388 |
| Total variable compensation | 6,863 | 1,109 | 7,973⁴ | 2,074 | 3,107 | 5,181 |

¹ Estimate as of 31 December 2021. Actual amounts expensed may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 631m in expenses related to share-based compensation (performance awards: USD 419m; other variable compensation: USD 56m; financial advisor compensation: USD 157m). A further USD 77m in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 5m related to role-based allowances; social security: USD 59m; other personnel expenses: USD 13m related to the Equity Plus Plan).

Variable compensation (continued)

| USD m | Expenses recognized in 2020 | | | Expenses deferred to 2021 and later ¹ | | |
|---|--------------------------------------|------------------------------------|--------------------------|--|------------------------------------|--------------|
| | Related to the 2020 performance year | Related to prior performance years | Total | Related to the 2020 performance year | Related to prior performance years | Total |
| Non-deferred cash | 1,948 | (29) | 1,920 | 0 | 0 | 0 |
| Deferred compensation awards | 329 | 704 | 1,034 | 734 | 277 | 1,011 |
| <i>of which: Equity Ownership Plan</i> | 131 | 315 | 446 | 298 | 67 | 365 |
| <i>of which: Deferred Contingent Capital Plan</i> | 108 | 339 | 448 | 271 | 189 | 459 |
| <i>of which: Long-Term Incentive Plan</i> | 41 | 11 | 52 | 46 | 9 | 55 |
| <i>of which: Fund Ownership Plan</i> | 49 | 39 | 88 | 120 | 12 | 132 |
| Variable compensation – performance awards | 2,278 | 675 | 2,953 | 734 | 277 | 1,011 |
| Variable compensation – financial advisors² | 3,378 | 713 | 4,091 | 822 | 2,284 | 3,106 |
| <i>of which: non-deferred cash</i> | 3,154 | 0 | 3,154 | 0 | 0 | 0 |
| <i>of which: deferred share-based awards</i> | 69 | 50 | 119 | 79 | 135 | 214 |
| <i>of which: deferred cash-based awards</i> | 133 | 183 | 316 | 271 | 467 | 738 |
| <i>of which: compensation commitments with recruited financial advisors</i> | 22 | 480 | 502 | 473 | 1,682 | 2,155 |
| Variable compensation – other³ | 109 | 92 | 201 | 176 | 189 | 364 |
| Total variable compensation | 5,765 | 1,481 | 7,246⁴ | 1,732 | 2,749 | 4,481 |

¹ Estimate as of 31 December 2020. Actual amounts expensed may vary; e.g., due to forfeiture of awards. ² Financial advisor compensation consists of cash and deferred compensation awards and is based on compensable revenues and firm tenure using a formulaic approach. It also includes expenses related to compensation commitments with financial advisors entered into at the time of recruitment that are subject to vesting requirements. ³ Consists of replacement payments, forfeiture credits, severance payments, retention plan payments and interest expense related to the Deferred Contingent Capital Plan. ⁴ Includes USD 666m in expenses related to share-based compensation (performance awards: USD 498m; other variable compensation: USD 49m; financial advisor compensation: USD 119m). A further USD 88m in expenses related to share-based compensation was recognized within other expense categories included in Note 6 (salaries: USD 4m related to role-based allowances; social security: USD 51m; other personnel expenses: USD 34m related to the Equity Plus Plan).

Note 27 Employee benefits: variable compensation (continued)

c) Outstanding share-based compensation awards

Share and performance share awards

Movements in outstanding share-based awards granted by UBS AG and its subsidiaries to employees during 2022 and 2021 are provided in the table below.

Movements in outstanding share-based compensation awards

| | Number of shares 2022 | Weighted average grant date fair value (USD) | Number of shares 2021 | Weighted average grant date fair value (USD) |
|--|--------------------------|---|--------------------------|---|
| Outstanding, at the beginning of the year | 295,921 | 15 | 54,557 | 13 |
| Awarded during the year | 358,424 | 19 | 278,756 | 15 |
| Distributed during the year | (37,994) | 14 | (24,176) | 13 |
| Forfeited during the year | (1,923) | 15 | (13,215) | 15 |
| Outstanding, at the end of the year | 614,428 | 17 | 295,921 | 15 |
| <i>of which: shares vested for accounting purposes</i> | <i>174,329</i> | | <i>116,775</i> | |

The total carrying amount of the liability related to cash-settled share-based awards as of 31 December 2022 and 31 December 2021 was USD 7m and USD 3m, respectively.

d) Valuation

UBS share awards

UBS measures compensation expense based on the average market price of UBS shares on the grant date as quoted on the SIX Swiss Exchange, taking into consideration post-vesting sale and hedge restrictions, non-vesting conditions and market conditions, where applicable. The fair value of the share awards subject to post-vesting sale and hedge restrictions is discounted on the basis of the duration of the post-vesting restriction and is referenced to the cost of purchasing an at-the-money European put option for the term of the transfer restriction. The grant date fair value of notional shares without dividend entitlements also includes a deduction for the present value of future expected dividends to be paid between the grant date and distribution.

Note 28 Interests in subsidiaries and other entities

a) Interests in subsidiaries

UBS AG defines its significant subsidiaries as those entities that, either individually or in aggregate, contribute significantly to UBS AG's financial position or results of operations, based on a number of criteria, including the subsidiaries' equity and contribution to UBS AG's total assets and profit or loss before tax, in accordance with the requirements set by IFRS 12, Swiss regulations and the rules of the US Securities and Exchange Commission (the SEC).

Individually significant subsidiaries

The table below lists UBS AG's individually significant subsidiaries as of 31 December 2022. Unless otherwise stated, the subsidiaries listed below have share capital consisting solely of ordinary shares held entirely by UBS AG and the proportion of ownership interest held is equal to the voting rights held by UBS AG.

The country where the respective registered office is located is also the principal place of business. UBS AG operates through a global branch network and a significant proportion of its business activity is conducted outside Switzerland, including in the UK, the US, Singapore, the Hong Kong SAR and other countries. UBS Europe SE has branches and offices in a number of EU Member States, including Germany, Italy, Luxembourg and Spain. Share capital is provided in the currency of the legally registered office.

Note 28 Interests in subsidiaries and other entities (continued)

Individually significant subsidiaries of UBS AG as of 31 December 2022¹

| Company | Registered office | Primary business | Share capital in million | Equity interest accumulated in % |
|-----------------------------|---------------------------|------------------------------|--------------------------|----------------------------------|
| UBS Americas Holding LLC | Wilmington, Delaware, USA | Group Functions | USD 5,150.0 ² | 100.0 |
| UBS Americas Inc. | Wilmington, Delaware, USA | Group Functions | USD 0.0 | 100.0 |
| UBS Asset Management AG | Zurich, Switzerland | Asset Management | CHF 43.2 | 100.0 |
| UBS Bank USA | Salt Lake City, Utah, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS Europe SE | Frankfurt, Germany | Global Wealth Management | EUR 446.0 | 100.0 |
| UBS Financial Services Inc. | Wilmington, Delaware, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS Securities LLC | Wilmington, Delaware, USA | Investment Bank | USD 1,283.1 ³ | 100.0 |
| UBS Switzerland AG | Zurich, Switzerland | Personal & Corporate Banking | CHF 10.0 | 100.0 |

¹ Includes direct and indirect subsidiaries of UBS AG. ² Consists of common share capital of USD 1,000 and non-voting preferred share capital of USD 5,150,000,000. ³ Consists of common share capital of USD 100,000 and non-voting preferred share capital of USD 1,283,000,000.

Other subsidiaries

The table below lists other direct and indirect subsidiaries of UBS AG that are not individually significant but contribute to UBS AG's total assets and aggregated profit before tax thresholds and are thus disclosed in accordance with requirements set by the SEC.

Other subsidiaries of UBS AG as of 31 December 2022

| Company | Registered office | Primary business | Share capital in million | Equity interest accumulated in % |
|--|----------------------------|--------------------------|--------------------------|----------------------------------|
| UBS Asset Management (Americas) Inc. | Wilmington, Delaware, USA | Asset Management | USD 0.0 | 100.0 |
| UBS Asset Management (Hong Kong) Limited | Hong Kong SAR, China | Asset Management | HKD 153.8 | 100.0 |
| UBS Asset Management Life Ltd | London, United Kingdom | Asset Management | GBP 15.0 | 100.0 |
| UBS Asset Management Switzerland AG | Zurich, Switzerland | Asset Management | CHF 0.5 | 100.0 |
| UBS Business Solutions US LLC | Wilmington, Delaware, USA | Group Functions | USD 0.0 | 100.0 |
| UBS Credit Corp. | Wilmington, Delaware, USA | Global Wealth Management | USD 0.0 | 100.0 |
| UBS (France) S.A. | Paris, France | Global Wealth Management | EUR 197.0 | 100.0 |
| UBS Fund Management (Luxembourg) S.A. | Luxembourg, Luxembourg | Asset Management | EUR 13.0 | 100.0 |
| UBS Fund Management (Switzerland) AG | Basel, Switzerland | Asset Management | CHF 1.0 | 100.0 |
| UBS (Monaco) S.A. | Monte Carlo, Monaco | Global Wealth Management | EUR 49.2 | 100.0 |
| UBS O'Connor LLC | Wilmington, Delaware, USA | Asset Management | USD 1.0 | 100.0 |
| UBS Realty Investors LLC | Boston, Massachusetts, USA | Asset Management | USD 9.0 | 100.0 |
| UBS Securities Australia Ltd | Sydney, Australia | Investment Bank | AUD 0.3 ¹ | 100.0 |
| UBS Securities Hong Kong Limited | Hong Kong SAR, China | Investment Bank | HKD 3,354.2 | 100.0 |
| UBS Securities Japan Co., Ltd. | Tokyo, Japan | Investment Bank | JPY 34,708.7 | 100.0 |
| UBS SuMi TRUST Wealth Management Co., Ltd. | Tokyo, Japan | Global Wealth Management | JPY 5,165.0 | 51.0 |

¹ Includes a nominal amount relating to redeemable preference shares.

Consolidated structured entities

Consolidated structured entities (SEs) include certain investment funds, securitization vehicles and client investment vehicles. UBS AG has no individually significant subsidiaries that are SEs.

In 2022 and 2021, UBS AG did not enter into any contractual obligation that could require UBS AG to provide financial support to consolidated SEs. In addition, UBS AG did not provide support, financial or otherwise, to a consolidated SE when UBS AG was not contractually obligated to do so, nor does UBS AG have any intention to do so in the future. Furthermore, UBS AG did not provide support, financial or otherwise, to a previously unconsolidated SE that resulted in UBS AG controlling the SE during the reporting period.

Note 28 Interests in subsidiaries and other entities (continued)

b) Interests in associates and joint ventures

As of 31 December 2022 and 2021, no associate or joint venture was individually material to UBS AG. Also, there were no significant restrictions on the ability of associates or joint ventures to transfer funds to UBS AG or its subsidiaries as cash dividends or to repay loans or advances made. There were no quoted market prices for any associates or joint ventures of UBS AG.

In 2022, UBS AG reclassified its minority investment (49%) in its Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc., of USD 44m to *Properties and other non-current assets held for sale* and sold the shareholding. The sale resulted in a pre-tax gain of USD 848m in 2022, which was recognized in *Other income*. UBS AG's asset management, wealth management and investment banking businesses operating in Japan were not affected by the sale.

Investments in associates and joint ventures

| USD m | 2022 | 2021 |
|--|--------------|--------------|
| Carrying amount at the beginning of the year | 1,243 | 1,557 |
| Additions | 3 | 1 |
| Reclassifications ¹ | (44) | (386) |
| Share of comprehensive income | (41) | 150 |
| of which: share of net profit ² | 32 | 105 |
| of which: share of other comprehensive income ³ | (73) | 45 |
| Share of changes in retained earnings | 0 | 1 |
| Dividends received | (31) | (39) |
| Foreign currency translation | (30) | (39) |
| Carrying amount at the end of the year | 1,101 | 1,243 |
| of which: associates | 1,098 | 1,200 |
| of which: SIX Group AG, Zurich ⁴ | 954 | 1,043 |
| of which: other associates | 144 | 157 |
| of which: joint ventures | 3 | 43 |
| of which: Mitsubishi Corp.-UBS Realty Inc., Tokyo ¹ | | 40 |
| of which: other joint ventures | 3 | 3 |

¹ In 2022, UBS AG reclassified its minority investment (49%) in Mitsubishi Corp.-UBS Realty Inc. of USD 44m to Properties and other non-current assets held for sale and sold the investment in the same year. In 2021, UBS AG reclassified its minority investment (48.8%) in Clearstream Fund Centre AG of USD 386m to Properties and other non-current assets held for sale and sold the investment in the same year. ² For 2022, consists of USD 27m from associates and USD 5m from joint ventures (for 2021, consists of USD 79m from associates and USD 26m from joint ventures). ³ For 2022, consists of negative USD 73m from associates (for 2021, consists of USD 44m from associates and USD 1m from joint ventures). ⁴ In 2022, UBS AG's equity interest amounted to 17.31%. UBS AG is represented on the Board of Directors.

c) Unconsolidated structured entities

UBS AG is considered to sponsor another entity if, in addition to ongoing involvement with that entity, it had a key role in establishing that entity or in bringing together relevant counterparties for a transaction facilitated by that entity. During 2022, UBS AG sponsored the creation of various SEs and interacted with a number of non-sponsored SEs, including securitization vehicles, client vehicles and certain investment funds, that UBS AG did not consolidate as of 31 December 2022 because it did not control them.

Interests in unconsolidated structured entities

The table below presents UBS AG's interests in and maximum exposure to loss from unconsolidated SEs, as well as the total assets held by the SEs in which UBS had an interest as of year-end, except for investment funds sponsored by third parties, for which the carrying amount of UBS's interest as of year-end has been disclosed.

Sponsored unconsolidated structured entities in which UBS did not have an interest at year-end

During 2022 and 2021, UBS AG did not earn material income from sponsored unconsolidated SEs in which UBS did not have an interest at year-end.

During 2022 and 2021, UBS AG and third parties did not transfer any assets into sponsored securitization vehicles created in the year. UBS AG and third parties transferred assets, alongside deposits and debt issuances (which are assets from the perspective of the vehicle), of USD 1bn and USD 3bn, respectively, into sponsored client vehicles created in 2022 (2021: USD 1bn and USD 2bn, respectively). For sponsored investment funds, transfers arose during the period as investors invested and redeemed positions, thereby changing the overall size of the funds, which, when combined with market movements, resulted in a total closing net asset value of USD 38bn (31 December 2021: USD 46bn).

Note 28 Interests in subsidiaries and other entities (continued)

| Interests in unconsolidated structured entities | | | | | |
|---|--------------------------|------------------------|-----------------------|---------------|---------------------------------------|
| | | | | | 31.12.22 |
| <i>USD m, except where indicated</i> | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss ¹ |
| Financial assets at fair value held for trading | 278 | 81 | 5,884 | 6,243 | 6,243 |
| Derivative financial instruments | 3 | 160 | 115 | 278 | 278 |
| Loans and advances to customers | | | 119 | 119 | 119 |
| Financial assets at fair value not held for trading | | | 108 | 108 | 108 |
| Financial assets measured at fair value through other comprehensive income ² | | | | | |
| Other financial assets measured at amortized cost ² | 837 | 4,977 ³ | 2 | 5,817 | 6,066 |
| Total assets | 1,118⁴ | 5,219 | 6,228 | 12,565 | |
| Derivative financial instruments | 1 | 35 | 763 | 798 | 2 |
| Total liabilities | 1 | 35 | 763 | 798 | |
| Assets held by the unconsolidated structured entities in which UBS AG had an interest (USD bn) | 50⁵ | 107⁶ | 95⁷ | | |

| | | | | | 31.12.21 |
|---|-------------------------|-----------------------|------------------------|---------------|---------------------------------------|
| <i>USD m, except where indicated</i> | Securitization vehicles | Client vehicles | Investment funds | Total | Maximum exposure to loss ¹ |
| Financial assets at fair value held for trading | 246 | 162 | 6,743 | 7,151 | 7,151 |
| Derivative financial instruments | 5 | 45 | 155 | 205 | 205 |
| Loans and advances to customers | | | 125 | 125 | 125 |
| Financial assets at fair value not held for trading | 35 | | 100 | 135 | 135 |
| Financial assets measured at fair value through other comprehensive income | 324 | 4,525 | | 4,849 | 4,849 |
| Other financial assets measured at amortized cost | | 0 ³ | 0 | 1 | 250 |
| Total assets | 610⁴ | 4,732 | 7,124 | 12,466 | |
| Derivative financial instruments | 2 | 11 | 281 | 294 | |
| Total liabilities | 2 | 11 | 281 | 294 | |
| Assets held by the unconsolidated structured entities in which UBS AG had an interest (USD bn) | 30⁵ | 81⁶ | 103⁷ | | |

¹ For the purpose of this disclosure, maximum exposure to loss amounts do not consider the risk-reducing effects of collateral or other credit enhancements. ² Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1b for more information. ³ Includes the carrying amount of loan commitments. The maximum exposure to loss for these instruments is equal to the notional amount. ⁴ As of 31 December 2022, USD 0.1bn of the USD 1.1bn (31 December 2021: USD 0.1bn of the USD 0.6bn) was held in Group Functions – Non-core and Legacy Portfolio. ⁵ Represents the principal amount outstanding. ⁶ Represents the market value of total assets. ⁷ Represents the net asset value of the investment funds sponsored by UBS AG and the carrying amount of UBS AG's interests in the investment funds not sponsored by UBS AG.

UBS AG retains or purchases interests in unconsolidated SEs in the form of direct investments, financing, guarantees, letters of credit and derivatives, as well as through management contracts. UBS AG's maximum exposure to loss is generally equal to the carrying amount of UBS AG's interest in the given SE, with this subject to change over time with market movements. Guarantees, letters of credit and credit derivatives are an exception, with the given contract's notional amount, adjusted for losses already incurred, representing the maximum loss that UBS AG is exposed to.

The maximum exposure to loss disclosed in the table above does not reflect UBS AG's risk management activities, including effects from financial instruments that may be used to economically hedge risks inherent in the given unconsolidated SE or risk-reducing effects of collateral or other credit enhancements.

In 2022 and 2021, UBS AG did not provide support, financial or otherwise, to any unconsolidated SE when not contractually obligated to do so, nor does UBS AG have any intention to do so in the future.

In 2022 and 2021, income and expenses from interests in unconsolidated SEs primarily resulted from mark-to-market movements recognized in *Other net income from financial instruments measured at fair value through profit or loss*, which were generally hedged with other financial instruments, as well as fee and commission income received from UBS-sponsored funds.

Interests in securitization vehicles

As of 31 December 2022 and 31 December 2021, UBS AG held interests, both retained and acquired, in various securitization vehicles that relate to financing, underwriting, secondary market and derivative trading activities.

The numbers outlined in the table above may differ from the securitization positions presented in the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for the following reasons: (i) exclusion of synthetic securitizations transacted with entities that are not SEs and transactions in which UBS AG did not have an interest because it did not absorb any risk; (ii) a different measurement basis in certain cases (e.g., IFRS carrying amount within the previous table compared with net exposure amount at default for Pillar 3 disclosures); and (iii) different classification of vehicles viewed as sponsored by UBS AG versus sponsored by third parties.

➤ Refer to the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information

Note 28 Interests in subsidiaries and other entities (continued)

Interests in client vehicles

Client vehicles are established predominantly for clients to gain exposure to specific assets or risk exposures. Such vehicles may enter into derivative agreements, with UBS or a third party, to align the cash flows of the entity with the investor's intended investment objective, or to introduce other desired risk exposures.

As of 31 December 2022 and 31 December 2021, UBS AG retained interests in client vehicles sponsored by UBS and third parties that relate to financing, secondary market and derivative trading activities, and to hedge structured product offerings.

Interests in investment funds

Investment funds have a collective investment objective, and are either passively managed, so that any decision-making does not have a substantive effect on variability, or are actively managed and investors or their governing bodies do not have substantive voting or similar rights.

UBS AG holds interests in a number of investment funds, primarily resulting from seed investments or in order to hedge structured product offerings. In addition to the interests disclosed in the table above, UBS AG manages the assets of various pooled investment funds and receives fees based, in whole or in part, on the net asset value of the fund and / or the performance of the fund. The specific fee structure is determined based on various market factors and considers the fund's nature and the jurisdiction of incorporation, as well as fee schedules negotiated with clients. These fee contracts represent an interest in the fund, as they align UBS AG's exposure with investors, providing a variable return based on the performance of the entity. Depending on the structure of the fund, these fees may be collected directly from the fund's assets and / or from the investors. Any amounts due are collected on a regular basis and are generally backed by the fund's assets. Therefore, interest in such funds is not represented by the on-balance sheet fee receivable but rather by the future exposure to variable fees. The total assets of such funds were USD 336bn and USD 425bn as of 31 December 2022 and 31 December 2021, respectively, and have been excluded from the table above. UBS AG did not have any material exposure to loss from these interests as of 31 December 2022 or as of 31 December 2021.

Note 29 Changes in organization and acquisitions and disposals of subsidiaries and businesses

Disposals of subsidiaries and businesses

Sale of UBS Swiss Financial Advisers AG

In the third quarter of 2022, UBS AG completed the sale of its wholly owned subsidiary UBS Swiss Financial Advisers AG (SFA) to Vontobel. UBS AG continues to refer US clients that want to have discretionary portfolio management or investment advisory services booked in Switzerland to Vontobel SFA. Upon completion of the sale, UBS AG recorded a pre-tax gain of USD 86m in 2022, which was recognized in *Other income*.

Prior to completion of the sale, the assets and liabilities that were subject to the transaction were presented as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* (31 December 2021: USD 446m and USD 475m, respectively).

Sale of wealth management business in Spain

UBS AG completed the sale of its domestic wealth management business in Spain to Singular Bank in the third quarter of 2022. The sale included the transition of employees, client relationships, products and services of the wealth management business of UBS AG in Spain and resulted in a pre-tax gain of USD 133m in 2022, which was recognized in *Other income*.

Prior to completion of the sale, the assets and liabilities that were subject to the transaction were presented as a disposal group held for sale within *Other non-financial assets* and *Other non-financial liabilities* (31 December 2021: USD 647m and USD 823m, respectively).

Sale of US alternative investments administration business

In the fourth quarter of 2022, UBS AG sold its US alternative investments administration business and recorded a pre-tax gain of USD 41m gain in *Other income*.

Sale of investments in associates and joint ventures

UBS AG sold its minority investment (49%) in its Japanese real estate joint venture, Mitsubishi Corp.-UBS Realty Inc., in 2022.

› Refer to Note 28b for more information

Acquisitions of subsidiaries and businesses

Wealthfront

In August 2022, UBS AG and Wealthfront mutually agreed to terminate their merger agreement, under which Wealthfront was to be acquired by UBS Americas Inc. In the third quarter of 2022, UBS AG purchased a USD 69.7m note convertible into Wealthfront shares.

Note 30 Related parties

UBS AG defines related parties as associates (entities that are significantly influenced by UBS), joint ventures (entities in which UBS shares control with another party), post-employment benefit plans for UBS AG employees, key management personnel, close family members of key management personnel and entities that are, directly or indirectly, controlled or jointly controlled by key management personnel or their close family members. Key management personnel is defined as members of the Board of Directors (the BoD) and Executive Board (the EB).

a) Remuneration of key management personnel

The Vice Chairman of the BoD has a specific management employment contract and receives pension benefits upon retirement. Total remuneration of the Chairman and the Vice Chairman of the BoD and all EB members is included in the table below.

| Remuneration of key management personnel | | | |
|--|------------|------------|------------|
| USD m, except where indicated | 31.12.22 | 31.12.21 | 31.12.20 |
| Base salaries and other cash payments ¹ | 26 | 30 | 31 |
| Incentive awards – cash ² | 16 | 17 | 17 |
| Annual incentive award under DCCP | 23 | 26 | 26 |
| Employer's contributions to retirement benefit plans | 2 | 2 | 2 |
| Benefits in kind, fringe benefits (at market value) | 1 | 1 | 1 |
| Share-based compensation ³ | 42 | 45 | 45 |
| Total | 110 | 122 | 122 |
| Total (CHF m)⁴ | 106 | 112 | 115 |

¹ May include role-based allowances in line with market practice and regulatory requirements. ² The cash portion may also include blocked shares in line with regulatory requirements. ³ Compensation expense is based on the share price on grant date taking into account performance conditions. Refer to Note 27 for more information. For EB members, share-based compensation for 2022, 2021 and 2020 was entirely composed of LTIP awards. For the Chairman of the BoD, the share-based compensation for 2022, 2021 and 2020 was entirely composed of UBS shares. ⁴ Swiss franc amounts disclosed represent the respective US dollar amounts translated at the applicable performance award currency exchange rates (2022: USD / CHF 0.96; 2021: USD / CHF 0.92; 2020: USD / CHF 0.94).

The independent members of the BoD, including the Chairman, do not have employment or service contracts with UBS AG, and thus are not entitled to benefits upon termination of their service on the BoD. Payments to these individuals for their services as independent members of the BoD amounted to USD 11.1m (CHF 10.7m) in 2022, USD 7.5m (CHF 6.9m) in 2021 and USD 7.0m (CHF 6.6m) in 2020.

b) Equity holdings of key management personnel

| Equity holdings of key management personnel ¹ | | |
|--|-----------|-----------|
| | 31.12.22 | 31.12.21 |
| Number of UBS Group AG shares held by members of the BoD, EB and parties closely linked to them ² | 2,443,580 | 4,175,515 |

¹ No options were held in 2022 and 2021 by non-independent members of the BoD and any EB member or any of its related parties. ² Excludes shares granted under variable compensation plans with forfeiture provisions.

Of the share totals above, no shares were held by close family members of key management personnel on 31 December 2022 and 31 December 2021. No shares were held by entities that are directly or indirectly controlled or jointly controlled by key management personnel or their close family members on 31 December 2022 and 31 December 2021. As of 31 December 2022, no member of the BoD or EB was the beneficial owner of more than 1% of the shares in UBS Group AG.

c) Loans, advances and mortgages to key management personnel

The non-independent members of the BoD and EB members are granted loans, fixed advances and mortgages in the ordinary course of business on substantially the same terms and conditions that are available to other employees, including interest rates and collateral, and neither involve more than the normal risk of collectability nor contain any other unfavorable features for the firm. Independent BoD members are granted loans and mortgages in the ordinary course of business at general market conditions.

Movements in the loan, advances and mortgage balances are as follows.

Note 30 Related parties (continued)

Loans, advances and mortgages to key management personnel¹

| <i>USD m, except where indicated</i> | 2022 | 2021 |
|---|------|------|
| Balance at the beginning of the year | 28 | 31 |
| Additions | 8 | 11 |
| Reductions | (7) | (15) |
| Balance at the end of the year ² | 28 | 28 |
| Balance at the end of the year (CHF m) ^{2,3} | 26 | 25 |

¹ All loans are secured loans. ² There were no unused uncommitted credit facilities as of 31 December 2022 and 31 December 2021. ³ Swiss franc amounts disclosed represent the respective US dollar amounts translated at the relevant year-end closing exchange rate.

d) Other related-party transactions with entities controlled by key management personnel

In 2022 and 2021, UBS AG did not enter into transactions with entities that are directly or indirectly controlled or jointly controlled by UBS AG's key management personnel or their close family members and as of 31 December 2022, 31 December 2021 and 31 December 2020, there were no outstanding balances related to such transactions. Furthermore, in 2022 and 2021, entities controlled by key management personnel did not sell any goods or provide any services to UBS AG, and therefore did not receive any fees from UBS AG. UBS AG also did not provide services to such entities in 2022 and 2021, and therefore also received no fees.

e) Transactions with associates and joint ventures

Loans to and outstanding receivables from associates and joint ventures

| <i>USD m</i> | 2022 | 2021 |
|--|-------|-------|
| Carrying amount at the beginning of the year | 251 | 630 |
| Additions | 402 | 133 |
| Reductions | (438) | (497) |
| Foreign currency translation | 1 | (14) |
| Carrying amount at the end of the year | 217 | 251 |
| <i>of which: unsecured loans and receivables</i> | 209 | 243 |

Other transactions with associates and joint ventures

| <i>USD m</i> | As of or for the year ended | |
|---|-----------------------------|----------|
| | 31.12.22 | 31.12.21 |
| Payments to associates and joint ventures for goods and services received | 138 | 157 |
| Fees received for services provided to associates and joint ventures | 4 | 104 |
| Liabilities to associates and joint ventures | 90 | 127 |
| Commitments and contingent liabilities to associates and joint ventures | 7 | 7 |

› Refer to Note 28 for an overview of investments in associates and joint ventures

f) Receivables and payables from / to UBS Group AG and other subsidiaries of UBS Group AG

| <i>USD m</i> | 31.12.22 | 31.12.21 |
|---|----------|----------|
| Receivables | | |
| Loans and advances to customers | 2,807 | 1,049 |
| Financial assets at fair value held for trading | 146 | 187 |
| Other financial assets measured at amortized cost | 147 | 45 |
| Payables | | |
| Customer deposits | 2,119 | 2,828 |
| Funding from UBS Group AG | 56,147 | 57,295 |
| Other financial liabilities measured at amortized cost | 1,985 | 1,887 |
| Other financial liabilities designated at fair value ¹ | 1,796 | 2,340 |

¹ Represents funding recognized from UBS Group AG that is designated at fair value. Refer to Note 18b for more information.

Note 31 Invested assets and net new money

The following disclosures provide a breakdown of UBS AG's invested assets and a presentation of their development, including net new money, as required by the Swiss Financial Market Supervisory Authority (FINMA).

Invested assets

Invested assets consist of all client assets managed by or deposited with UBS AG for investment purposes. Invested assets include managed fund assets, managed institutional assets, discretionary and advisory wealth management portfolios, fiduciary deposits, time deposits, savings accounts, and wealth management securities or brokerage accounts. All assets held for purely transactional purposes and custody-only assets, including corporate client assets held for cash management and transactional purposes, are excluded from invested assets, as UBS AG only administers the assets and does not offer advice on how they should be invested. Also excluded are non-bankable assets (e.g., art collections) and deposits from third-party banks for funding or trading purposes.

Discretionary assets are defined as client assets that UBS AG decides how to invest. Other invested assets are those where the client ultimately decides how the assets are invested. When a single product is created in one business division and sold in another, it is counted in both the business division managing the investment and the one distributing it. This results in double counting within UBS AG's total invested assets and net new money, as both business divisions are independently providing a service to their respective clients, and both add value and generate revenue.

Net new money

Net new money in a reporting period is the amount of invested assets entrusted to UBS AG by new and existing clients, less those withdrawn by existing clients and clients who terminated relationships with UBS AG.

Net new money is calculated using the direct method, under which inflows and outflows to / from invested assets are determined at the client level, based on transactions. Interest and dividend income from invested assets are not counted as net new money inflows. Market and currency movements, as well as fees, commissions and interest on loans charged, are excluded from net new money, as are effects resulting from any acquisition or divestment of a UBS subsidiary or business. Reclassifications between invested assets and custody-only assets as a result of a change in service level delivered are generally treated as net new money flows. However, where the change in service level directly results from an externally imposed regulation or a strategic decision by UBS AG to exit a market or specific service offering, the one-time net effect is reported as *Other effects*.

The Investment Bank does not track invested assets and net new money. However, when a client is transferred from the Investment Bank to another business division, this may produce net new money even though the client's assets were already with UBS AG.

Invested assets and net new money

| | As of or for the year ended | |
|--|-----------------------------|--------------|
| <i>USD bn</i> | 31.12.22 | 31.12.21 |
| Fund assets managed by UBS | 390 | 419 |
| Discretionary assets | 1,440 | 1,705 |
| Other invested assets | 2,127 | 2,472 |
| Total invested assets¹ | 3,957 | 4,596 |
| <i>of which: double counts</i> | <i>340</i> | <i>356</i> |
| Net new money¹ | 68 | 159 |

¹ Includes double counts.

Development of invested assets

| <i>USD bn</i> | 2022 | 2021 |
|---|--------------|--------------|
| Total invested assets at the beginning of the year ¹ | 4,596 | 4,187 |
| Net new money | 68 | 159 |
| Market movements ² | (595) | 339 |
| Foreign currency translation | (72) | (65) |
| Other effects | (40) | (24) |
| <i>of which: acquisitions / (divestments)</i> | <i>(19)</i> | <i>(5)</i> |
| Total invested assets at the end of the year¹ | 3,957 | 4,596 |

¹ Includes double counts. ² Includes interest and dividend income.

Note 32 Currency translation rates

The following table shows the rates of the main currencies used to translate the financial information of UBS AG's operations with a functional currency other than the US dollar into US dollars.

| | Closing exchange rate | | Average rate ¹ | | |
|---------|-----------------------|----------|---------------------------|----------|----------|
| | As of | | For the year ended | | |
| | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.20 |
| 1 CHF | 1.08 | 1.10 | 1.05 | 1.09 | 1.07 |
| 1 EUR | 1.07 | 1.14 | 1.05 | 1.18 | 1.15 |
| 1 GBP | 1.21 | 1.35 | 1.23 | 1.37 | 1.29 |
| 100 JPY | 0.76 | 0.87 | 0.76 | 0.91 | 0.94 |

¹ Monthly income statement items of operations with a functional currency other than the US dollar are translated into US dollars using month-end rates. Disclosed average rates for a year represent an average of twelve month-end rates, weighted according to the income and expense volumes of all operations of UBS AG with the same functional currency for each month. Weighted average rates for individual business divisions may deviate from the weighted average rates for UBS AG.

Note 33 Main differences between IFRS and Swiss GAAP

The consolidated financial statements of UBS AG are prepared in accordance with International Financial Reporting Standards (IFRS). The Swiss Financial Market Supervisory Authority (FINMA) requires financial groups presenting financial statements under IFRS to provide a narrative explanation of the main differences between IFRS and Swiss generally accepted accounting principles (GAAP) (the FINMA Accounting Ordinance, FINMA Circular 2020/1 "Accounting – banks" and the Banking Ordinance (the BO)). Included in this Note are the significant differences in the recognition and measurement between IFRS and the provisions of the BO and the guidelines of FINMA governing true and fair view financial statement reporting pursuant to Art. 25 to Art. 42 of the BO.

1. Consolidation

Under IFRS, all entities that are controlled by the holding entity are consolidated. Under Swiss GAAP controlled entities deemed immaterial to a group or those held only temporarily are exempt from consolidation, but instead are recorded as participations accounted for under the equity method of accounting or as financial investments measured at the lower of cost or market value.

2. Classification and measurement of financial assets

Under IFRS, debt instruments are measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL), depending on the nature of the business model within which the particular asset is held and the characteristics of the contractual cash flows of the asset. Equity instruments are accounted for at FVTPL by UBS. Under Swiss GAAP, trading assets and derivatives are measured at FVTPL, in line with IFRS. However, non-trading debt instruments are generally measured at amortized cost, even when the assets are managed on a fair value basis. In addition, the measurement of financial assets in the form of securities depends on the nature of the asset: debt instruments not held to maturity, i.e., instruments available for sale, and equity instruments with no permanent holding intent, are classified as *Financial investments* and measured at the lower of (amortized) cost or market value. Market value adjustments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded in the income statement as *Other income from ordinary activities*. Equity instruments with a permanent holding intent are classified as participations in *Non-consolidated investments in subsidiaries and other participations* and are measured at cost less impairment. Impairment losses are recorded in the income statement as *Impairment of investments in non-consolidated subsidiaries and other participations*. Reversals of impairments up to the original cost amount and realized gains or losses upon disposal of the investment are recorded as *Extraordinary income / Extraordinary expenses*.

3. Fair value option applied to financial liabilities

Under IFRS, UBS applies the fair value option to certain financial liabilities not held for trading. Instruments for which the fair value option is applied are accounted for at FVTPL. The amount of change in the fair value attributable to changes in UBS's own credit is presented in *Other comprehensive income* directly within *Retained earnings*. The fair value option is applied primarily to issued structured debt instruments, certain non-structured debt instruments, certain payables under repurchase agreements and cash collateral on securities lending agreements, amounts due under unit-linked investment contracts, and brokerage payables.

Under Swiss GAAP, the fair value option can only be applied to structured debt instruments consisting of a debt host contract and one or more embedded derivatives that do not relate to own equity. Furthermore, unrealized changes in fair value attributable to changes in UBS's own credit are not recognized, whereas realized own credit is recognized in *Net trading income*.

4. Allowances and provisions for credit losses

Swiss GAAP permit use of IFRS for accounting for allowances and provisions for credit losses based on an expected credit loss (ECL) model. UBS has chosen to apply the IFRS 9 ECL approach to those exposures that are in the ECL scope of both frameworks, IFRS and Swiss GAAP.

For the small residual exposures within the scope of Swiss GAAP ECL requirements, which are not subject to ECL under IFRS due to classification differences, UBS applies alternative approaches.

- For exposures for which Pillar 1 internal ratings-based models are applied to measure credit risk, ECL is determined by the regulatory expected loss (EL), with an add-on for scaling up to the residual maturity of exposures maturing beyond the next 12 months, as appropriate. For detailed information on regulatory EL, refer to the “Risk management and control” section of this report.
- For exposures for which the Pillar 1 standardized approach is used to measure credit risk, ECL is determined using a portfolio approach that derives a conservative probability of default (PD) and a conservative loss given default (LGD) for the entire portfolio.

5. Hedge accounting

Under IFRS, when cash flow hedge accounting is applied, the fair value gain or loss on the effective portion of a derivative designated as a cash flow hedge is recognized initially in equity and reclassified to the income statement when certain conditions are met. When fair value hedge accounting is applied, the fair value change of the hedged item attributable to the hedged risk is reflected in the measurement of the hedged item and is recognized in the income statement along with the change in the fair value of the hedging derivative. Under Swiss GAAP, the effective portion of the fair value change of a derivative instrument designated as a cash flow or as a fair value hedge is deferred on the balance sheet as *Other assets* or *Other liabilities*. The carrying amount of the hedged item designated in fair value hedges is not adjusted for fair value changes attributable to the hedged risk.

6. Goodwill and intangible assets

Under IFRS, goodwill acquired in a business combination is not amortized but tested annually for impairment. Intangible assets with an indefinite useful life are also not amortized but tested annually for impairment. Under Swiss GAAP, goodwill and intangible assets with indefinite useful lives are amortized over a period not exceeding five years, unless a longer useful life, which may not exceed 10 years, can be justified. In addition, these assets are tested annually for impairment.

7. Post-employment benefit plans

Swiss GAAP permit the use of IFRS or Swiss accounting standards for post-employment benefit plans, with the election made on a plan-by-plan basis.

UBS has elected to apply IFRS (IAS 19) for the non-Swiss defined benefit plans in the UBS AG standalone financial statements and Swiss GAAP (FER 16) for the Swiss pension plan in the UBS AG and the UBS Switzerland AG standalone financial statements. The requirements of Swiss GAAP are better aligned with the specific nature of Swiss pension plans, which are hybrid in that they combine elements of defined contribution and defined benefit plans, but are treated as defined benefit plans under IFRS. Key differences between Swiss GAAP and IFRS include the treatment of dynamic elements, such as future salary increases and future interest credits on retirement savings, which are not considered under the static method used in accordance with Swiss GAAP. Also, the discount rate used to determine the defined benefit obligation in accordance with IFRS is based on the yield of high-quality corporate bonds of the market in the respective pension plan country. The discount rate used in accordance with Swiss GAAP (i.e., the technical interest rate) is determined by the Pension Foundation Board based on the expected returns of the Board’s investment strategy.

For defined benefit plans, IFRS require the full defined benefit obligation net of the plan assets to be recorded on the balance sheet subject to the asset ceiling rules, with changes resulting from remeasurements recognized directly in equity. However, for non-Swiss defined benefit plans for which IFRS accounting is elected, changes due to remeasurements are recognized in the income statement of UBS AG standalone under Swiss GAAP.

Swiss GAAP require employer contributions to the pension fund to be recognized as personnel expenses in the income statement. Swiss GAAP also require an assessment of whether, based on the pension fund’s financial statements prepared in accordance with Swiss accounting standards (FER 26), an economic benefit to, or obligation of, the employer arises from the pension fund that is recognized in the balance sheet when conditions are met. Conditions for recording a pension asset or liability would be met if, for example, an employer contribution reserve is available or the employer is required to contribute to the reduction of a pension deficit (on an FER 26 basis).

8. Leasing

Under IFRS, a single lease accounting model applies that requires UBS to record a right-of-use (RoU) asset and a corresponding lease liability on the balance sheet when UBS is a lessee in a lease arrangement. The RoU asset and the lease liability are recognized when UBS acquires control of the physical use of the asset. The lease liability is measured based on the present value of the lease payments over the lease term, discounted using UBS's unsecured borrowing rate. The RoU asset is recorded at an amount equal to the lease liability but is adjusted for rent prepayments, initial direct costs, any costs to refurbish the leased asset and / or lease incentives received. The RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset.

Under Swiss GAAP, leases that transfer substantially all the risks and rewards, but not necessarily legal title in the underlying assets, are classified as finance leases. All other leases are classified as operating leases. Whereas finance leases are recognized on the balance sheet and measured in line with IFRS, operating leases are not recognized on the balance sheet, with payments recognized as *General and administrative expenses* on a straight-line basis over the lease term, which commences with control of the physical use of the asset. Lease incentives are treated as a reduction of rental expense and recognized on a consistent basis over the lease term.

9. Netting of derivative assets and liabilities

Under IFRS, derivative assets, derivative liabilities and related cash collateral not settled to market are reported on a gross basis unless the restrictive IFRS netting requirements are met: (i) existence of master netting agreements and related collateral arrangements that are unconditional and legally enforceable, in both the normal course of business and the event of default, bankruptcy or insolvency of UBS and its counterparties; and (ii) UBS's intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. Under Swiss GAAP, derivative assets, derivative liabilities and related cash collateral not settled to market are generally reported on a net basis, provided the master netting and the related collateral agreements are legally enforceable in the event of default, bankruptcy or insolvency of UBS's counterparties.

10. Negative interest

Under IFRS, negative interest income arising on a financial asset does not meet the definition of interest income and, therefore, negative interest on financial assets and negative interest on financial liabilities are presented within interest expense and interest income, respectively. Under Swiss GAAP, negative interest on financial assets is presented within interest income and negative interest on financial liabilities is presented within interest expense.

11. Extraordinary income and expense

Certain non-recurring and non-operating income and expense items, such as realized gains or losses from the disposal of participations, fixed and intangible assets, and reversals of impairments of participations and fixed assets, are classified as extraordinary items under Swiss GAAP. This distinction is not available under IFRS. ▲

Note 34 Supplemental guarantor information required under SEC regulations

Joint liability of UBS Switzerland AG

In 2015, the Personal & Corporate Banking and Wealth Management businesses booked in Switzerland were transferred from UBS AG to UBS Switzerland AG through an asset transfer in accordance with the Swiss Merger Act. Under the terms of the asset transfer agreement, UBS Switzerland AG assumed joint liability for contractual obligations of UBS AG existing on the asset transfer date, including the full and unconditional guarantee of certain registered debt securities issued by UBS AG. To reflect this joint liability, UBS Switzerland AG is presented in a separate column as a subsidiary co-guarantor.

The joint liability of UBS Switzerland AG for contractual obligations of UBS AG decreased in 2022 by USD 1.4bn to USD 4.3bn as of 31 December 2022. The decrease substantially relates to a combination of contractual maturities, early extinguishments, fair value movements and foreign currency effects.

Supplemental guarantor consolidated income statement

| <i>USD m</i> | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| For the year ended 31 December 2022 | | | | | |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 4,824 | 3,894 | 4,661 | (1,575) | 11,803 |
| Interest expense from financial instruments measured at amortized cost | (5,449) | (736) | (2,604) | 2,093 | (6,696) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 881 | 546 | 431 | (449) | 1,410 |
| Net interest income | 257 | 3,704 | 2,488 | 68 | 6,517 |
| Other net income from financial instruments measured at fair value through profit or loss | 5,541 | 900 | 940 | 112 | 7,493 |
| Fee and commission income | 2,875 | 4,865 | 13,766 | (660) | 20,846 |
| Fee and commission expense | (684) | (464) | (1,327) | 652 | (1,823) |
| Net fee and commission income | 2,191 | 4,401 | 12,439 | (8) | 19,023 |
| Other income | 6,732 | 203 | 3,329 | (8,382) | 1,882 |
| Total revenues | 14,721 | 9,208 | 19,197 | (8,210) | 34,915 |
| Credit loss expense / (release) | (17) | 50 | (3) | (1) | 29 |
| Personnel expenses | 3,251 | 1,995 | 9,835 | 0 | 15,080 |
| General and administrative expenses | 3,374 | 3,258 | 5,029 | (2,660) | 9,001 |
| Depreciation, amortization and impairment of non-financial assets | 871 | 340 | 744 | (109) | 1,845 |
| Operating expenses | 7,496 | 5,592 | 15,607 | (2,769) | 25,927 |
| Operating profit / (loss) before tax | 7,242 | 3,566 | 3,592 | (5,440) | 8,960 |
| Tax expense / (benefit) | (28) | 638 | 1,083 | 151 | 1,844 |
| Net profit / (loss) | 7,270 | 2,928 | 2,509 | (5,592) | 7,116 |
| Net profit / (loss) attributable to non-controlling interests | 0 | 0 | 32 | 0 | 32 |
| Net profit / (loss) attributable to shareholders | 7,270 | 2,928 | 2,477 | (5,592) | 7,084 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of comprehensive income

| <i>USD m</i> | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| For the year ended 31 December 2022 | | | | | |
| Comprehensive income attributable to shareholders | | | | | |
| Net profit / (loss) | 7,270 | 2,928 | 2,477 | (5,592) | 7,084 |
| Other comprehensive income | | | | | |
| Other comprehensive income that may be reclassified to the income statement | | | | | |
| Foreign currency translation, net of tax | (114) | (197) | (506) | 298 | (519) |
| Financial assets measured at fair value through other comprehensive income, net of tax ³ | (3) | 0 | 9 | 0 | 6 |
| Cash flow hedges, net of tax | (2,791) | (1,359) | (631) | (12) | (4,793) |
| Cost of hedging, net of tax | 45 | | | | 45 |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | (2,863) | (1,555) | (1,128) | 286 | (5,260) |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Defined benefit plans, net of tax | 170 | (112) | 23 | 0 | 81 |
| Own credit on financial liabilities designated at fair value, net of tax | 796 | | | | 796 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 966 | (112) | 23 | 0 | 877 |
| Total other comprehensive income | (1,897) | (1,667) | (1,104) | 286 | (4,383) |
| Total comprehensive income attributable to shareholders | 5,373 | 1,261 | 1,373 | (5,306) | 2,701 |
| Total comprehensive income attributable to non-controlling interests | | | 18 | | 18 |
| Total comprehensive income | 5,373 | 1,261 | 1,391 | (5,306) | 2,719 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries. ³ Effective 1 April 2022, a portfolio of assets previously classified as Financial assets measured at fair value through other comprehensive income was reclassified to Other financial assets measured at amortized cost. Refer to Note 1b for more information.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated balance sheet

| USD m | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| As of 31 December 2022 | | | | | |
| Assets | | | | | |
| Cash and balances at central banks | 48,689 | 84,465 | 36,291 | 0 | 169,445 |
| Loans and advances to banks | 39,691 | 6,357 | 19,063 | (50,441) | 14,671 |
| Receivables from securities financing transactions measured at amortized cost | 51,493 | 903 | 34,110 | (18,691) | 67,814 |
| Cash collateral receivables on derivative instruments | 35,594 | 1,221 | 10,074 | (11,856) | 35,033 |
| Loans and advances to customers | 90,168 | 229,861 | 101,231 | (31,233) | 390,027 |
| Other financial assets measured at amortized cost | 24,005 | 9,532 | 21,880 | (2,029) | 53,389 |
| Total financial assets measured at amortized cost | 289,641 | 332,339 | 222,649 | (114,250) | 730,379 |
| Financial assets at fair value held for trading | 95,810 | 173 | 13,899 | (1,848) | 108,034 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | <i>41,056</i> | <i>0</i> | <i>5,578</i> | <i>(9,892)</i> | <i>36,742</i> |
| Derivative financial instruments | 149,447 | 5,925 | 35,106 | (40,368) | 150,109 |
| Brokerage receivables | 9,763 | 0 | 7,814 | 0 | 17,576 |
| Financial assets at fair value not held for trading | 45,302 | 4,354 | 26,843 | (17,091) | 59,408 |
| Total financial assets measured at fair value through profit or loss | 300,321 | 10,453 | 83,661 | (59,308) | 335,127 |
| Financial assets measured at fair value through other comprehensive income | 1,953 | 0 | 286 | 0 | 2,239 |
| Investments in subsidiaries and associates | 54,323 | 33 | 0 | (53,255) | 1,101 |
| Property, equipment and software | 5,852 | 1,654 | 4,077 | (267) | 11,316 |
| Goodwill and intangible assets | 213 | 0 | 6,050 | 5 | 6,267 |
| Deferred tax assets | 1,624 | 276 | 7,470 | (16) | 9,354 |
| Other non-financial assets | 6,930 | 1,768 | 951 | 4 | 9,652 |
| Total assets | 660,856 | 346,522 | 325,144 | (227,087) | 1,105,436 |
| Liabilities | | | | | |
| Amounts due to banks | 41,395 | 37,123 | 51,555 | (118,477) | 11,596 |
| Payables from securities financing transactions measured at amortized cost | 9,425 | 247 | 13,303 | (18,774) | 4,202 |
| Cash collateral payables on derivative instruments | 35,528 | 1,518 | 11,191 | (11,800) | 36,436 |
| Customer deposits | 98,628 | 273,316 | 132,619 | 22,608 | 527,171 |
| Funding from UBS Group AG | 56,147 | 0 | 0 | 0 | 56,147 |
| Debt issued measured at amortized cost | 50,706 | 8,965 | 1 | (173) | 59,499 |
| Other financial liabilities measured at amortized cost | 4,903 | 2,221 | 5,554 | (2,287) | 10,391 |
| Total financial liabilities measured at amortized cost | 296,733 | 323,391 | 214,222 | (128,903) | 705,442 |
| Financial liabilities at fair value held for trading | 25,059 | 183 | 5,843 | (1,570) | 29,515 |
| Derivative financial instruments | 153,778 | 6,177 | 35,314 | (40,363) | 154,906 |
| Brokerage payables designated at fair value | 32,346 | 0 | 12,746 | (7) | 45,085 |
| Debt issued designated at fair value | 71,444 | 0 | 508 | (110) | 71,842 |
| Other financial liabilities designated at fair value | 17,888 | 0 | 17,074 | (2,928) | 32,033 |
| Total financial liabilities measured at fair value through profit or loss | 300,514 | 6,360 | 71,484 | (44,977) | 333,382 |
| Provisions | 1,904 | 239 | 1,041 | (2) | 3,183 |
| Other non-financial liabilities | 1,630 | 1,019 | 3,742 | 98 | 6,489 |
| Total liabilities | 600,782 | 331,009 | 290,490 | (173,785) | 1,048,496 |
| Equity attributable to shareholders | 60,075 | 15,513 | 34,313 | (53,303) | 56,598 |
| Equity attributable to non-controlling interests | | | 342 | 0 | 342 |
| Total equity | 60,075 | 15,513 | 34,655 | (53,303) | 56,940 |
| Total liabilities and equity | 660,856 | 346,522 | 325,144 | (227,087) | 1,105,436 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of cash flows

| <i>USD m</i> | | | | |
|---|---------------------|------------------------------------|------------------------------------|--------------------------|
| For the year ended 31 December 2022 | UBS AG ¹ | UBS Switzerland AG ¹ | Other subsidiaries ¹ | UBS AG (consolidated) |
| Net cash flow from / (used in) operating activities | 17,286 | (1,165) | (5,491) | 10,630 |
| Cash flow from / (used in) investing activities | | | | |
| Purchase of subsidiaries, associates and intangible assets | 0 | (3) | 0 | (3) |
| Disposal of subsidiaries, associates and intangible assets ² | 157 | 453 | 1,120 | 1,729 |
| Purchase of property, equipment and software | (562) | (292) | (624) | (1,478) |
| Disposal of property, equipment and software | 161 | 0 | 0 | 161 |
| Purchase of financial assets measured at fair value through other comprehensive income | (4,131) | 0 | (652) | (4,783) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 3,188 | 0 | 896 | 4,084 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (8,159) | (1,820) | (2,013) | (11,993) |
| Net cash flow from / (used in) investing activities | (9,346) | (1,663) | (1,274) | (12,283) |
| Cash flow from / (used in) financing activities | | | | |
| Net short-term debt issued / (repaid) | (12,215) | (3) | (31) | (12,249) |
| Distributions paid on UBS AG shares | (4,200) | 0 | 0 | (4,200) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost ³ | 78,866 | 550 | 41 | 79,457 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost ³ | (66,526) | (860) | (284) | (67,670) |
| Net cash flows from other financing activities | (258) | 0 | (337) | (595) |
| Net activity related to group internal capital transactions and dividends | 5,217 | (2,088) | (3,128) | 0 |
| Net cash flow from / (used in) financing activities | 884 | (2,401) | (3,740) | (5,257) |
| Total cash flow | | | | |
| Cash and cash equivalents at the beginning of the year | 57,895 | 92,799 | 57,061 | 207,755 |
| Net cash flow from / (used in) operating, investing and financing activities | 8,824 | (5,229) | (10,505) | (6,911) |
| Effects of exchange rate differences on cash and cash equivalents | (3,111) | (1,338) | (1,196) | (5,645) |
| Cash and cash equivalents at the end of the year⁴ | 63,608 | 86,232 | 45,359 | 195,200 |
| <i>of which: cash and balances at central banks</i> | <i>48,607</i> | <i>84,465</i> | <i>36,291</i> | <i>169,363</i> |
| <i>of which: loans and advances to banks</i> | <i>2,957</i> | <i>1,550</i> | <i>8,821</i> | <i>13,329</i> |
| <i>of which: money market paper⁵</i> | <i>12,044</i> | <i>216</i> | <i>248</i> | <i>12,508</i> |

1 Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. 2 Includes cash proceeds from the sales of: UBS AG's shareholding in Mitsubishi Corp.-UBS Realty Inc.; UBS AG's wholly owned subsidiary UBS Swiss Financial Advisers AG (including a loan portfolio in UBS Switzerland AG); UBS AG's US alternative investments administration business; and UBS AG's domestic wealth management business in Spain. Also includes dividends received from associates. 3 Includes funding from UBS Group AG to UBS AG. 4 Balances with an original maturity of three months or less. USD 4,253m of cash and cash equivalents were restricted. 5 Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated income statement

| USD m | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| For the year ended 31 December 2021 | | | | | |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3,130 | 3,652 | 2,456 | (703) | 8,534 |
| Interest expense from financial instruments measured at amortized cost | (2,847) | (520) | (1,024) | 1,025 | (3,366) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 1,229 | 254 | 228 | (274) | 1,437 |
| Net interest income | 1,512 | 3,386 | 1,660 | 48 | 6,605 |
| Other net income from financial instruments measured at fair value through profit or loss | 3,751 | 807 | 1,369 | (83) | 5,844 |
| Fee and commission income | 3,837 | 5,204 | 16,151 | (770) | 24,422 |
| Fee and commission expense | (810) | (481) | (1,450) | 755 | (1,985) |
| Net fee and commission income | 3,027 | 4,723 | 14,702 | (14) | 22,438 |
| Other income | 7,555 | 221 | 1,560 | (8,396) | 941 |
| Total revenues | 15,845 | 9,137 | 19,291 | (8,445) | 35,828 |
| Credit loss expense / (release) | (65) | (98) | (10) | 24 | (148) |
| Personnel expenses | 3,401 | 2,098 | 10,161 | 1 | 15,661 |
| General and administrative expenses | 4,255 | 3,442 | 4,474 | (2,696) | 9,476 |
| Depreciation, amortization and impairment of non-financial assets | 949 | 285 | 755 | (114) | 1,875 |
| Operating expenses | 8,605 | 5,825 | 15,390 | (2,809) | 27,012 |
| Operating profit / (loss) before tax | 7,305 | 3,409 | 3,910 | (5,660) | 8,964 |
| Tax expense / (benefit) | 203 | 622 | 1,090 | (11) | 1,903 |
| Net profit / (loss) | 7,102 | 2,788 | 2,820 | (5,649) | 7,061 |
| Net profit / (loss) attributable to non-controlling interests | 0 | 0 | 29 | 0 | 29 |
| Net profit / (loss) attributable to shareholders | 7,102 | 2,788 | 2,792 | (5,649) | 7,032 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Supplemental guarantor consolidated statement of comprehensive income

| USD m | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| For the year ended 31 December 2021 | | | | | |
| Comprehensive income attributable to shareholders | | | | | |
| Net profit / (loss) | 7,102 | 2,788 | 2,792 | (5,649) | 7,032 |
| Other comprehensive income | | | | | |
| Other comprehensive income that may be reclassified to the income statement | | | | | |
| Foreign currency translation, net of tax | (1) | (419) | (607) | 517 | (510) |
| Financial assets measured at fair value through other comprehensive income, net of tax | 0 | | (157) | 0 | (157) |
| Cash flow hedges, net of tax | (1,129) | (279) | (250) | (17) | (1,675) |
| Cost of hedging, net of tax | (26) | | | | (26) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | (1,155) | (699) | (1,014) | 500 | (2,368) |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Defined benefit plans, net of tax | 170 | (135) | 67 | 0 | 102 |
| Own credit on financial liabilities designated at fair value, net of tax | 46 | | | | 46 |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | 217 | (135) | 67 | 0 | 148 |
| Total other comprehensive income | (939) | (834) | (947) | 500 | (2,220) |
| Total comprehensive income attributable to shareholders | 6,163 | 1,954 | 1,845 | (5,149) | 4,813 |
| Total comprehensive income attributable to non-controlling interests | | | 13 | | 13 |
| Total comprehensive income | 6,163 | 1,954 | 1,858 | (5,149) | 4,826 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated balance sheet

| USD m | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| As of 31 December 2021 | | | | | |
| Assets | | | | | |
| Cash and balances at central banks | 53,839 | 91,031 | 47,946 | | 192,817 |
| Loans and advances to banks | 39,681 | 7,066 | 19,858 | (51,245) | 15,360 |
| Receivables from securities financing transactions measured at amortized cost | 50,566 | 5,438 | 40,585 | (21,577) | 75,012 |
| Cash collateral receivables on derivative instruments | 29,939 | 779 | 10,314 | (10,518) | 30,514 |
| Loans and advances to customers | 101,458 | 230,170 | 93,252 | (26,188) | 398,693 |
| Other financial assets measured at amortized cost | 8,902 | 6,828 | 12,377 | (1,870) | 26,236 |
| Total financial assets measured at amortized cost | 284,385 | 341,312 | 224,332 | (111,397) | 738,632 |
| Financial assets at fair value held for trading | 116,370 | 79 | 16,740 | (2,156) | 131,033 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | <i>47,891</i> | <i>0</i> | <i>6,073</i> | <i>(10,568)</i> | <i>43,397</i> |
| Derivative financial instruments | 113,426 | 4,199 | 35,567 | (35,047) | 118,145 |
| Brokerage receivables | 14,563 | | 7,283 | (7) | 21,839 |
| Financial assets at fair value not held for trading | 37,532 | 5,413 | 33,940 | (17,243) | 59,642 |
| Total financial assets measured at fair value through profit or loss | 281,891 | 9,691 | 93,531 | (54,454) | 330,659 |
| Financial assets measured at fair value through other comprehensive income | 1,007 | | 7,837 | | 8,844 |
| Investments in subsidiaries and associates | 54,204 | 37 | 40 | (53,038) | 1,243 |
| Property, equipment and software | 6,501 | 1,456 | 4,048 | (293) | 11,712 |
| Goodwill and intangible assets | 213 | | 6,138 | 28 | 6,378 |
| Deferred tax assets | 936 | | 7,903 | | 8,839 |
| Other non-financial assets | 5,757 | 2,424 | 1,656 | (1) | 9,836 |
| Total assets | 634,894 | 354,921 | 345,484 | (219,154) | 1,116,145 |
| Liabilities | | | | | |
| Amounts due to banks | 34,691 | 33,453 | 50,405 | (105,448) | 13,101 |
| Payables from securities financing transactions measured at amortized cost | 16,711 | 526 | 9,910 | (21,615) | 5,533 |
| Cash collateral payables on derivative instruments | 30,260 | 153 | 11,845 | (10,458) | 31,801 |
| Customer deposits | 101,093 | 286,488 | 142,967 | 14,287 | 544,834 |
| Funding from UBS Group AG | 57,295 | | | | 57,295 |
| Debt issued measured at amortized cost | 73,045 | 9,460 | | (73) | 82,432 |
| Other financial liabilities measured at amortized cost | 4,477 | 2,477 | 5,057 | (2,245) | 9,765 |
| Total financial liabilities measured at amortized cost | 317,572 | 332,556 | 220,184 | (125,551) | 744,762 |
| Financial liabilities at fair value held for trading | 25,711 | 372 | 7,652 | (2,046) | 31,688 |
| Derivative financial instruments | 116,588 | 4,053 | 35,731 | (35,063) | 121,309 |
| Brokerage payables designated at fair value | 30,497 | | 13,548 | (1) | 44,045 |
| Debt issued designated at fair value | 70,660 | | 785 | 14 | 71,460 |
| Other financial liabilities designated at fair value | 11,127 | | 24,454 | (3,167) | 32,414 |
| Total financial liabilities measured at fair value through profit or loss | 254,584 | 4,425 | 82,171 | (40,263) | 300,916 |
| Provisions | 2,023 | 297 | 1,153 | (21) | 3,452 |
| Other non-financial liabilities | 1,799 | 1,278 | 5,528 | (33) | 8,572 |
| Total liabilities | 575,978 | 338,556 | 309,036 | (165,868) | 1,057,702 |
| Equity attributable to shareholders | 58,916 | 16,365 | 36,108 | (53,287) | 58,102 |
| Equity attributable to non-controlling interests | | | 340 | | 340 |
| Total equity | 58,916 | 16,365 | 36,448 | (53,287) | 58,442 |
| Total liabilities and equity | 634,894 | 354,921 | 345,484 | (219,154) | 1,116,145 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements, available under "Complementary financial information" at ubs.com/investors, for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of cash flows

| <i>USD m</i> | | | | |
|---|---------------------|------------------------------------|------------------------------------|--------------------------|
| For the year ended 31 December 2021 | UBS AG ¹ | UBS Switzerland AG ¹ | Other subsidiaries ¹ | UBS AG (consolidated) |
| Net cash flow from / (used in) operating activities | 5,714 | 2,131 | 22,718 | 30,563 |
| Cash flow from / (used in) investing activities | | | | |
| Purchase of subsidiaries, associates and intangible assets | 0 | (1) | 0 | (1) |
| Disposal of subsidiaries, associates and intangible assets ² | 16 | 0 | 577 | 593 |
| Purchase of property, equipment and software | (656) | (276) | (650) | (1,581) |
| Disposal of property, equipment and software | 294 | 0 | 1 | 295 |
| Purchase of financial assets measured at fair value through other comprehensive income | (1,006) | 0 | (4,795) | (5,802) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 189 | 0 | 4,863 | 5,052 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (807) | 772 | (380) | (415) |
| Net cash flow from / (used in) investing activities | (1,970) | 495 | (385) | (1,860) |
| Cash flow from / (used in) financing activities | | | | |
| Net short-term debt issued / (repaid) | (3,073) | (21) | 0 | (3,093) |
| Distributions paid on UBS AG shares | (4,539) | 0 | 0 | (4,539) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost ³ | 97,250 | 1,177 | 193 | 98,619 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost ³ | (78,385) | (1,093) | (320) | (79,799) |
| Net cash flows from other financing activities | (280) | 0 | 20 | (261) |
| Net activity related to group internal capital transactions and dividends | 5,240 | (537) | (4,702) | 0 |
| Net cash flow from / (used in) financing activities | 16,212 | (475) | (4,811) | 10,927 |
| Total cash flow | | | | |
| Cash and cash equivalents at the beginning of the year | 39,400 | 93,342 | 40,689 | 173,430 |
| Net cash flow from / (used in) operating, investing and financing activities | 19,957 | 2,151 | 17,523 | 39,630 |
| Effects of exchange rate differences on cash and cash equivalents | (1,462) | (2,693) | (1,151) | (5,306) |
| Cash and cash equivalents at the end of the year⁴ | 57,895 | 92,799 | 57,061 | 207,755 |
| <i>of which: cash and balances at central banks</i> | 53,729 | 91,031 | 47,946 | 192,706 |
| <i>of which: loans and advances to banks</i> | 3,258 | 1,588 | 8,975 | 13,822 |
| <i>of which: money market paper⁵</i> | 908 | 179 | 139 | 1,227 |

¹ Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. ² Includes cash proceeds from the sale of the minority stake in Clearstream Fund Centre AG and dividends received from associates. ³ Includes funding from UBS Group AG to UBS AG. ⁴ Balances with an original maturity of three months or less. USD 3,408m of cash and cash equivalents were restricted. ⁵ Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated income statement

| USD m | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| For the year ended 31 December 2020 | | | | | |
| Interest income from financial instruments measured at amortized cost and fair value through other comprehensive income | 3,386 | 3,636 | 2,612 | (818) | 8,816 |
| Interest expense from financial instruments measured at amortized cost | (3,694) | (513) | (1,261) | 1,134 | (4,333) |
| Net interest income from financial instruments measured at fair value through profit or loss and other | 1,103 | 164 | 311 | (273) | 1,305 |
| Net interest income | 794 | 3,288 | 1,662 | 43 | 5,788 |
| Other net income from financial instruments measured at fair value through profit or loss | 4,857 | 911 | 1,044 | 118 | 6,930 |
| Fee and commission income | 3,731 | 4,585 | 13,651 | (984) | 20,982 |
| Fee and commission expense | (644) | (829) | (1,263) | 961 | (1,775) |
| Net fee and commission income | 3,087 | 3,756 | 12,388 | (23) | 19,207 |
| Other income | 4,671 | 233 | 2,585 | (5,941) | 1,549 |
| Total revenues | 13,410 | 8,188 | 17,679 | (5,803) | 33,474 |
| Credit loss expense / (release) | 352 | 286 | 56 | 0 | 695 |
| Personnel expenses | 3,458 | 2,017 | 9,211 | 0 | 14,686 |
| General and administrative expenses | 3,507 | 3,313 | 4,147 | (2,481) | 8,486 |
| Depreciation, amortization and impairment of non-financial assets | 1,013 | 261 | 750 | (115) | 1,909 |
| Operating expenses | 7,978 | 5,591 | 14,108 | (2,596) | 25,081 |
| Operating profit / (loss) before tax | 5,079 | 2,311 | 3,515 | (3,207) | 7,699 |
| Tax expense / (benefit) | 238 | 444 | 912 | (107) | 1,488 |
| Net profit / (loss) | 4,840 | 1,868 | 2,603 | (3,100) | 6,211 |
| Net profit / (loss) attributable to non-controlling interests | 0 | 0 | 15 | 0 | 15 |
| Net profit / (loss) attributable to shareholders | 4,840 | 1,868 | 2,588 | (3,100) | 6,196 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Supplemental guarantor consolidated statement of comprehensive income

| USD m | UBS AG (standalone) ¹ | UBS Switzerland AG (standalone) ¹ | Other subsidiaries ² | Elimination entries | UBS AG (consolidated) |
|---|-------------------------------------|--|------------------------------------|------------------------|--------------------------|
| For the year ended 31 December 2020 | | | | | |
| Comprehensive income attributable to shareholders | | | | | |
| Net profit / (loss) | 4,840 | 1,868 | 2,588 | (3,100) | 6,196 |
| Other comprehensive income | | | | | |
| Other comprehensive income that may be reclassified to the income statement | | | | | |
| Foreign currency translation, net of tax | 81 | 1,228 | 690 | (969) | 1,030 |
| Financial assets measured at fair value through other comprehensive income, net of tax | 0 | 0 | 137 | 0 | 136 |
| Cash flow hedges, net of tax | 902 | 26 | 101 | (18) | 1,011 |
| Cost of hedging, net of tax | (13) | | | | (13) |
| Total other comprehensive income that may be reclassified to the income statement, net of tax | 971 | 1,254 | 928 | (988) | 2,165 |
| Other comprehensive income that will not be reclassified to the income statement | | | | | |
| Defined benefit plans, net of tax | (67) | (107) | 40 | 0 | (134) |
| Own credit on financial liabilities designated at fair value, net of tax | (293) | | | | (293) |
| Total other comprehensive income that will not be reclassified to the income statement, net of tax | (360) | (107) | 40 | 0 | (427) |
| Total other comprehensive income | 611 | 1,147 | 968 | (988) | 1,738 |
| Total comprehensive income attributable to shareholders | 5,451 | 3,015 | 3,556 | (4,088) | 7,934 |
| Total comprehensive income attributable to non-controlling interests | | | 36 | | 36 |
| Total comprehensive income | 5,451 | 3,015 | 3,592 | (4,088) | 7,970 |

¹ Amounts presented for UBS AG standalone and UBS Switzerland AG standalone represent IFRS standalone information. Refer to the UBS AG standalone and UBS Switzerland AG standalone financial statements under "Complementary financial information" at ubs.com/investors for information prepared in accordance with Swiss GAAP. ² The "Other subsidiaries" column includes consolidated information for the UBS Americas Holding LLC, UBS Europe SE and UBS Asset Management AG significant sub-groups, as well as standalone information for other subsidiaries.

Note 34 Supplemental guarantor information required under SEC regulations (continued)

Supplemental guarantor consolidated statement of cash flows

| USD m | UBS AG ¹ | UBS Switzerland AG ¹ | Other subsidiaries ¹ | UBS AG (consolidated) |
|---|---------------------|---------------------------------|---------------------------------|-----------------------|
| For the year ended 31 December 2020 | | | | |
| Net cash flow from / (used in) operating activities | (14,883) | 24,661 | 26,804 | 36,581 |
| Cash flow from / (used in) investing activities | | | | |
| Purchase of subsidiaries, associates and intangible assets | 0 | (3) | (43) | (46) |
| Disposal of subsidiaries, associates and intangible assets ² | 14 | 0 | 660 | 674 |
| Purchase of property, equipment and software | (714) | (162) | (697) | (1,573) |
| Disposal of property, equipment and software | 361 | 0 | 3 | 364 |
| Purchase of financial assets measured at fair value through other comprehensive income | (77) | 0 | (6,213) | (6,290) |
| Disposal and redemption of financial assets measured at fair value through other comprehensive income | 79 | 0 | 4,451 | 4,530 |
| Net (purchase) / redemption of debt securities measured at amortized cost | (3,021) | 132 | (1,277) | (4,166) |
| Net cash flow from / (used in) investing activities | (3,357) | (33) | (3,117) | (6,506) |
| Cash flow from / (used in) financing activities | | | | |
| Net short-term debt issued / (repaid) | 23,828 | 17 | 0 | 23,845 |
| Distributions paid on UBS AG shares | (3,848) | 0 | 0 | (3,848) |
| Issuance of debt designated at fair value and long-term debt measured at amortized cost ³ | 78,867 | 1,057 | 229 | 80,153 |
| Repayment of debt designated at fair value and long-term debt measured at amortized cost ³ | (86,204) | (776) | (118) | (87,099) |
| Net cash flows from other financing activities | (290) | 0 | (263) | (553) |
| Net activity related to group internal capital transactions and dividends | 2,984 | (1,307) | (1,677) | 0 |
| Net cash flow from / (used in) financing activities | 15,336 | (1,009) | (1,829) | 12,498 |
| Total cash flow | | | | |
| Cash and cash equivalents at the beginning of the year | 39,598 | 62,551 | 17,655 | 119,804 |
| Net cash flow from / (used in) operating, investing and financing activities | (2,905) | 23,619 | 21,859 | 42,573 |
| Effects of exchange rate differences on cash and cash equivalents | 2,706 | 7,171 | 1,175 | 11,053 |
| Cash and cash equivalents at the end of the year⁴ | 39,400 | 93,342 | 40,689 | 173,430 |
| <i>of which: cash and balances at central banks</i> | 34,283 | 91,638 | 32,167 | 158,088 |
| <i>of which: loans and advances to banks</i> | 4,085 | 1,695 | 8,148 | 13,928 |
| <i>of which: money market paper⁵</i> | 1,032 | 9 | 374 | 1,415 |

¹ Cash flows generally represent a third-party view from a UBS AG consolidated perspective, except for Net activity related to group internal capital transactions and dividends. ² Includes cash proceeds from the sale of the majority stake in Fondcenter AG and dividends received from associates. ³ Includes funding from UBS Group AG to UBS AG. ⁴ Balances with an original maturity of three months or less. USD 3,828m of cash and cash equivalents were restricted. ⁵ Money market paper is included in the balance sheet under Financial assets at fair value held for trading, Financial assets measured at fair value through other comprehensive income, Financial assets at fair value not held for trading and Other financial assets measured at amortized cost.



Significant regulated subsidiary and sub-group information

Financial and regulatory key figures for our significant regulated subsidiaries and sub-groups

| | UBS AG (standalone) | | UBS Switzerland AG (standalone) | | UBS Europe SE (consolidated) | | UBS Americas Holding LLC (consolidated) | |
|--|-------------------------------|----------|------------------------------------|----------|---------------------------------|--------------------|---|----------------------|
| <i>All values in million, except where indicated</i> | <i>USD</i> | | <i>CHF</i> | | <i>EUR</i> | | <i>USD</i> | |
| Financial and regulatory requirements | Swiss GAAP Swiss SRB rules | | Swiss GAAP Swiss SRB rules | | IFRS EU regulatory rules | | US GAAP US Basel III rules | |
| As of or for the year ended | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 | 31.12.22 | 31.12.21 |
| Financial information¹ | | | | | | | | |
| Income statement | | | | | | | | |
| Total operating income ² | 15,759 | 16,293 | 8,760 | 8,490 | 1,158 | 1,123 | 13,575 | 14,490 |
| Total operating expenses | 8,505 | 9,712 | 5,458 | 5,472 | 794 | 800 | 12,351 | 11,925 |
| Operating profit / (loss) before tax | 7,253 | 6,581 | 3,302 | 3,018 | 364 | 323 | 1,224 | 2,565 |
| Net profit / (loss) | 7,157 | 6,548 | 2,707 | 2,452 | 262 | 227 | 511 | 1,812 |
| Balance sheet | | | | | | | | |
| Total assets | 504,767 | 509,851 | 315,657 | 320,656 | 47,978 | 46,411 | 201,777 | 209,718 |
| Total liabilities | 447,406 | 455,446 | 300,164 | 305,919 | 44,360 | 42,664 | 176,309 | 182,633 |
| Total equity | 57,361 | 54,405 | 15,493 | 14,736 | 3,617 | 3,747 | 25,468 | 27,085 |
| Capital³ | | | | | | | | |
| Common equity tier 1 capital | 53,995 | 52,818 | 12,586 | 12,609 | 2,441 | 2,764 | 11,367 | 13,002 |
| Additional tier 1 capital | 11,841 | 13,840 | 5,393 | 5,387 | 600 | 290 | 5,082 | 4,049 |
| Total going concern capital / Tier 1 capital | 65,836 | 66,658 | 17,978 | 17,996 | 3,041 | 3,054 | 16,449 | 17,051 |
| Tier 2 capital | 2,949 | 3,129 | | | | | 131 | 125 |
| Total capital | | | | | 3,041 | 3,054 | 16,580 | 17,176 |
| Total gone concern loss-absorbing capacity | 46,982 | 44,250 | 11,267 | 10,853 | 2,130⁴ | 2,414 ⁴ | 7,400⁵ | 7,000 ⁵ |
| Total loss-absorbing capacity | 112,818 | 110,908 | 29,245 | 28,849 | 5,171 | 5,468 | 23,849 | 24,051 |
| Risk-weighted assets and leverage ratio denominator³ | | | | | | | | |
| Risk-weighted assets | 332,864 | 317,913 | 107,208 | 106,399 | 10,726 | 12,328 | 70,739 | 72,979 |
| Leverage ratio denominator | 575,461 | 593,868 | 332,280 | 339,788 | 41,818 | 46,660 | 194,003 | 188,130 ⁶ |
| Supplementary leverage ratio denominator | | | | | | | 214,709 | 212,167 |
| Capital and leverage ratios (%)³ | | | | | | | | |
| Common equity tier 1 capital ratio | 16.2 | 16.6 | 11.7 | 11.9 | 22.8 | 22.4 | 16.1 | 17.8 |
| Going concern capital ratio / Tier 1 capital ratio | 19.8 | 21.0 | 16.8 | 16.9 | 28.3 | 24.8 | 23.3 | 23.4 |
| Total capital ratio | | | | | 28.3 | 24.8 | 23.4 | 23.5 |
| Total loss-absorbing capacity ratio | | | 27.3 | 27.1 | 48.2 | 44.4 | 33.7 | 33.0 |
| Tier 1 leverage ratio | | | | | 7.3 | 6.5 | 8.5 | 9.1 |
| Supplementary tier 1 leverage ratio | | | | | | | 7.7 | 8.0 |
| Going concern leverage ratio | 11.4 | 11.2 | 5.4 | 5.3 | | | | |
| Total loss-absorbing capacity leverage ratio | | | 8.8 | 8.5 | 12.4 | 11.7 | 12.3 | 12.8 |
| Gone concern capital coverage ratio | 117.1 | 112.0 | | | | | | |
| Liquidity coverage ratio^{3,9} | | | | | | | | |
| High-quality liquid assets (bn) | 101.6 | 89.5 | 88.9 | 91.3 | 20.6 | 17.1 | 26.3 | 32.4 |
| Net cash outflows (bn) | 53.6 | 52.2 | 62.4 | 64.1 | 13.1 | 10.1 | 18.3 | 22.0 |
| Liquidity coverage ratio (%) | 191.2⁷ | 173.2 | 142.4⁸ | 142.6 | 158.7 | 170.3 | 143.5 | 147.2 |
| Net stable funding ratio^{3,9} | | | | | | | | |
| Total available stable funding (bn) | 254.4 | 258.0 | 221.7 | 225.2 | 13.9 | 15.4 | | |
| Total required stable funding (bn) | 280.2 | 289.2 | 162.3 | 158.1 | 7.9 | 9.0 | | |
| Net stable funding ratio (%) | 90.8¹⁰ | 89.2 | 136.6¹⁰ | 142.5 | 174.6 | 171.3 | | |
| Other | | | | | | | | |
| Joint and several liability between UBS AG and UBS Switzerland AG (bn) ¹¹ | | | 4 | 5 | | | | |

¹ The financial information disclosed does not represent financial statements under the respective GAAP / IFRS. ² The total operating income includes credit loss expense / (release). ³ Refer to the 31 December 2022 Pillar 3 Report, available under "Pillar 3 disclosures" at ubs.com/investors, for more information. ⁴ Consists of positions that meet the conditions laid down in Art. 72a–b of the Capital Requirements Regulation (CRR) II with regard to contractual, structural or legal subordination. ⁵ Consists of eligible long-term debt that meets the conditions specified in 12 CFR 252.162 of the final TLAC rules. Total loss-absorbing capacity is the sum of tier 1 capital (excluding minority interest) and eligible long-term debt. ⁶ The leverage ratio denominator as of 31 December 2021 has been aligned with UBS Americas Holding LLC's reported figure in the FR-Y9C report, which was filed with the Board of Governors of the Federal Reserve. ⁷ In the fourth quarter of 2022, the liquidity coverage ratio (the LCR) of UBS AG was 191.2%, remaining above the prudential requirements communicated by FINMA. ⁸ In the fourth quarter of 2022, the LCR of UBS Switzerland AG, which is a Swiss SRB, was 142.4%, remaining above the prudential requirement communicated by FINMA in connection with the Swiss Emergency Plan. ⁹ For UBS Americas Holding LLC consolidated, the NSFR requirement became effective as of 1 July 2021 and related disclosures will come into effect in the second quarter of 2023. ¹⁰ In accordance with Art. 17h para. 3 and 4 of the Liquidity Ordinance, UBS AG standalone is required to maintain a minimum NSFR of at least 80% without taking into account excess funding of UBS Switzerland AG and 100% after taking into account such excess funding. ¹¹ Refer to the "Capital, liquidity and funding, and balance sheet" section of this report for more information about the joint and several liability. Under certain circumstances, the Swiss Banking Act and FINMA's Banking Insolvency Ordinance authorize FINMA to modify, extinguish or convert to common equity liabilities of a bank in connection with a resolution or insolvency of such bank.

UBS Group AG is a holding company and conducts substantially all of its operations through UBS AG and subsidiaries thereof. UBS Group AG and UBS AG have contributed a significant portion of their respective capital to, and provide substantial liquidity to, such subsidiaries. Many of these subsidiaries are subject to regulations requiring compliance with minimum capital, liquidity and similar requirements. The table in this section summarizes the regulatory capital components and capital ratios of our significant regulated subsidiaries and sub-groups determined under the regulatory framework of each subsidiary's or sub-group's home jurisdiction.

- › Refer to **"Capital and capital ratios of our significant regulated subsidiaries"** in the **"Capital, liquidity and funding, and balance sheet"** section of this report for more information
- › Refer to **"Note 22 Restricted and transferred financial assets"** in the **"Consolidated financial statements"** section of this report for more information

Supervisory authorities generally have discretion to impose higher requirements or to otherwise limit the activities of subsidiaries. Supervisory authorities also may require entities to measure capital and leverage ratios on a stressed basis and may limit the ability of an entity to engage in new activities or take capital actions based on the results of those tests.

Following the completion of the annual Dodd–Frank Act Stress Test (DFAST) and the Comprehensive Capital Analysis and Review (CCAR), UBS Americas Holding LLC was assigned a stress capital buffer (an SCB) of 4.8% (previously 7.1%) under the SCB rule as of 1 October 2022, resulting in a total common equity tier 1 capital requirement of 9.3%.

Standalone regulatory information for UBS AG and UBS Switzerland AG, as well as consolidated regulatory information for UBS Europe SE and UBS Americas Holding LLC, is provided in the 31 December 2022 Pillar 3 Report, available under *"Pillar 3 disclosures"* at ubs.com/investors.

Standalone financial statements for UBS Group AG, as well as standalone financial statements and regulatory information for UBS AG and UBS Switzerland AG, are available under *"Holding company and significant regulated subsidiaries and sub-groups"* at ubs.com/investors.

Additional regulatory information

Table of contents

494 UBS Group AG consolidated supplemental disclosures required under SEC regulations

494 A – Introduction

494 B – Selected financial data

494 Selected Information

494 Cash dividends received from investments in subsidiaries

495 Balance sheet data

495 C – Information about the company

495 Property, plant and equipment

496 D – Information required by Subpart 1400 of Regulation S-K

496 Selected statistical information

496 Average balances and interest rates

498 Analysis of changes in interest income and expense

500 Deposits

500 Uninsured deposits

501 Investments in debt instruments

501 Loan portfolio

501 Allowance for credit loss

502 UBS AG consolidated supplemental disclosures required under SEC regulations

502 A – Introduction

502 B – Selected financial data

502 Selected Information

502 Dividends received from investments in subsidiaries and associates

503 Balance sheet data

503 C – Information about the company

503 Property, plant and equipment

504 D – Information required by Subpart 1400 of Regulation S-K

504 Selected statistical information

504 Average balances and interest rates

506 Analysis of changes in interest income and expense

508 Deposits

508 Uninsured deposits

509 Investments in debt instruments

509 Loan portfolio

509 Allowance for credit loss

UBS Group AG consolidated supplemental disclosures required under SEC regulations

A – Introduction

The following pages contain supplemental UBS Group AG disclosures that are required under SEC regulations. UBS Group AG's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB) and are denominated in US dollars (USD), which is also the functional currency of: UBS Group AG; UBS AG's Head Office; UBS AG London Branch; and UBS's US-based operations.

B – Selected financial data

Selected information

| | As of or for the year ended | | |
|---|-----------------------------|---------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Personnel (full-time equivalents) | 72,597 | 71,385 | 71,551 |
| Americas | 21,819 | 21,317 | 21,394 |
| <i>of which: USA</i> | 21,032 | 20,537 | 20,528 |
| Asia Pacific | 16,489 | 15,618 | 15,353 |
| Europe, Middle East and Africa (excluding Switzerland) | 14,342 | 14,091 | 13,899 |
| <i>of which: UK</i> | 6,234 | 6,051 | 6,069 |
| <i>of which: rest of Europe (excluding Switzerland)</i> | 7,823 | 7,826 | 7,652 |
| <i>of which: Middle East and Africa</i> | 285 | 215 | 178 |
| Switzerland | 19,947 | 20,359 | 20,904 |
| Registered ordinary shares (number) ¹ | 3,524,635,722 | 3,702,422,995 | 3,859,055,395 |
| Treasury shares (number) ¹ | 416,909,010 | 302,815,328 | 307,477,002 |
| Ordinary cash dividends declared per share (CHF) ^{2,3} | | 0.47 | 0.34 |
| Ordinary cash dividends declared per share (USD) ^{2,3} | 0.55 | 0.50 | 0.37 |

¹ Refer to "UBS shares" in the "Capital, liquidity and funding, and balance sheet" section of this report for more information. ² Dividends and / or distributions out of the capital contribution reserve are normally approved and paid in the year subsequent to the reporting period. Beginning in 2020, dividends have been declared in US dollars. The Swiss franc equivalent amount for the 2022 dividend will be determined after the Annual General Meeting using the exchange rate applicable on that date and is therefore not provided in this table. ³ Refer to "Statement of proposed appropriation of total profit and dividend distribution out of total profit and capital contribution reserve" in the "Standalone financial statements" section of this report for more information.

Dividends received from investments in subsidiaries

In 2022, UBS Group AG received dividends of USD 4,373m (2021: USD 4,672m; 2020: USD 3,853m) from its subsidiaries. Dividends disclosed have been translated to US dollars from the functional currency of the entity paying the dividend, using the closing exchange rate of the month the dividend was received.

Balance sheet data

| USD m | 31.12.22 | 31.12.21 | 31.12.20 |
|---|------------------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | 169,445 | 192,817 | 158,231 |
| Loans and advances to banks | 14,792 | 15,480 | 15,444 |
| Receivables from securities financing transactions at amortized cost | 67,814 | 75,012 | 74,210 |
| Cash collateral receivables on derivative instruments | 35,032 | 30,514 | 32,737 |
| Loans and advances to customers | 387,220 | 397,761 | 379,528 |
| Other financial assets measured at amortized cost | 53,264 | 26,209 | 27,194 |
| Total financial assets measured at amortized cost | 727,568 | 737,794 | 687,345 |
| Financial assets at fair value held for trading | 107,866 | 130,821 | 125,397 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | <i>36,742</i> | <i>43,397</i> | <i>47,098</i> |
| Derivative financial instruments | 150,108 | 118,142 | 159,617 |
| Brokerage receivables | 17,576 | 21,839 | 24,659 |
| Financial assets at fair value not held for trading | 59,796 | 60,080 | 80,364 |
| Total financial assets measured at fair value through profit or loss | 335,347 | 330,882 | 390,037 |
| Financial assets measured at fair value through other comprehensive income | 2,239 | 8,844 | 8,258 |
| Investments in associates | 1,101 | 1,243 | 1,557 |
| Property, equipment and software | 12,288 | 12,888 | 13,109 |
| Goodwill and intangible assets | 6,267 | 6,378 | 6,480 |
| Deferred tax assets | 9,389 | 8,876 | 9,212 |
| Other non-financial assets | 10,166 | 10,277 | 9,768 |
| Total assets | 1,104,364 | 1,117,182 | 1,125,765 |
| Liabilities | | | |
| Amounts due to banks | 11,596 | 13,101 | 11,050 |
| Payables from securities financing transactions at amortized cost | 4,202 | 5,533 | 6,321 |
| Cash collateral payables on derivative instruments | 36,436 | 31,798 | 37,312 |
| Customer deposits | 525,051 | 542,007 | 524,605 |
| Debt issued measured at amortized cost | 114,621 | 139,155 | 139,232 |
| Other financial liabilities measured at amortized cost | 9,575 | 9,001 | 9,729 |
| Total financial liabilities measured at amortized cost | 701,481 | 740,595 | 728,250 |
| Financial liabilities at fair value held for trading | 29,515 | 31,688 | 33,595 |
| Derivative financial instruments | 154,906 | 121,309 | 161,102 |
| Brokerage payables designated at fair value | 45,085 | 44,045 | 38,742 |
| Debt issued designated at fair value | 73,638 | 73,799 | 61,243 |
| Other financial liabilities designated at fair value | 30,237 | 30,074 | 30,387 |
| Total financial liabilities measured at fair value through profit or loss | 333,381 | 300,916 | 325,069 |
| Provisions | 3,243 | 3,518 | 2,828 |
| Other non-financial liabilities | 9,040 | 11,151 | 9,854 |
| Total liabilities | 1,047,146 | 1,056,180 | 1,066,000 |
| Equity attributable to shareholders | 56,876 | 60,662 | 59,445 |
| Equity attributable to non-controlling interests | 342 | 340 | 319 |
| Total equity | 57,218 | 61,002 | 59,765 |
| Total liabilities and equity | 1,104,364 | 1,117,182 | 1,125,765 |

C – Information about the company

Property, plant and equipment

As of 31 December 2022, UBS operated in about 677 business and banking locations worldwide, of which approximately 33% were in Switzerland, 48% in the Americas, 9% in the rest of Europe, the Middle East and Africa, and 10% in Asia Pacific. Of the business and banking locations in Switzerland, 23% were owned directly by UBS, with the remainder, along with most of UBS's offices outside Switzerland, being held under commercial leases. These premises are subject to continuous maintenance and upgrading and are considered suitable and adequate for current and anticipated operations.

D – Information required by Subpart 1400 of Regulation S-K

Selected statistical information

The tables below set forth selected statistical information regarding the Group's banking operations extracted from its financial statements. Unless otherwise indicated, average balances for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 are calculated from monthly data. Unless otherwise indicated, the distinction between domestic (Swiss) and foreign (non-Swiss) is generally based on the booking location.

Average balances and interest rates

The tables below set forth average interest-earning assets and average interest-bearing liabilities, along with the average yield, for 2022, 2021 and 2020. Refer to "Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information about interest income and interest expense.

| For the year ended | 31.12.22 | | | 31.12.21 | | | 31.12.20 | | |
|--|------------------|---------------------------|-------------------|------------------|--------------------------|-------------------|------------------|---------------------------|-------------------|
| | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Assets | | | | | | | | | |
| Balances at central banks | | | | | | | | | |
| Domestic | 99,777 | 92 | 0.1 | 98,804 | (105) | (0.1) | 90,234 | (112) | (0.1) |
| Foreign | 88,267 | 595 | 0.7 | 71,529 | (31) | 0.0 | 51,611 | 7 | 0.0 |
| Loans and advances to banks | | | | | | | | | |
| Domestic | 2,966 | 50 | 1.7 | 3,158 | 40 | 1.3 | 2,930 | 43 | 1.5 |
| Foreign | 12,345 | 8 | 0.1 | 13,074 | 12 | 0.1 | 12,089 | 31 | 0.3 |
| Receivables from securities financing transactions measured at amortized cost ¹ | | | | | | | | | |
| Domestic | 6,431 | 30 | 0.5 | 9,435 | (28) | (0.3) | 4,746 | 8 | 0.2 |
| Foreign | 70,942 | 1,105 | 1.6 | 79,297 | 234 | 0.3 | 92,098 | 551 | 0.6 |
| Loans and advances to customers | | | | | | | | | |
| Domestic | 223,970 | 3,187 | 1.4 | 228,070 | 3,211 | 1.4 | 210,971 | 3,014 | 1.4 |
| Foreign | 160,509 | 4,829 | 3.0 | 160,902 | 2,700 | 1.7 | 138,515 | 3,139 | 2.3 |
| Financial assets at fair value ^{1,2} | | | | | | | | | |
| Domestic | 5,892 | 50 | 0.8 | 10,006 | 11 | 0.1 | 12,455 | 40 | 0.3 |
| Foreign | 151,504 | 2,113 | 1.4 | 169,267 | 1,203 | 0.7 | 192,251 | 1,826 | 0.9 |
| Other interest-earning assets | | | | | | | | | |
| Domestic | 8,226 | 125 | 1.5 | 7,477 | 121 | 1.6 | 8,064 | 136 | 1.7 |
| Foreign | 63,107 | 858 | 1.4 | 47,040 | 298 | 0.6 | 45,442 | 386 | 0.8 |
| Total interest-earning assets³ | 893,936 | 13,043 | 1.5 | 898,059 | 7,666 | 0.9 | 861,406 | 9,068 | 1.1 |
| Net interest income on swaps | | 1,804 | | | 1,552 | | | 1,134 | |
| Interest income on off-balance sheet securities and other | | 677 | | | 472 | | | 386 | |
| Interest income and average interest-earning assets | 893,936 | 15,525⁴ | 1.7 | 898,059 | 9,689⁴ | 1.1 | 861,406 | 10,588⁴ | 1.2 |
| Non-interest-earning assets ⁵ | 299,488 | | | 298,224 | | | 310,129 | | |
| Total average assets | 1,193,424 | | | 1,196,284 | | | 1,171,535 | | |

¹ Reverse repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. ² Includes financial assets at fair value held for trading, financial assets at fair value not held for trading, financial assets at fair value through other comprehensive income and brokerage receivables. ³ Non-taxable positions and amounts were not material for the years presented. ⁴ For the purpose of this disclosure, negative interest income on assets is presented as a reduction to interest income, while in the consolidated income statement negative interest income on assets is presented as interest expense. Refer to Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss in the "Consolidated financial statements" section of this report for more information. ⁵ Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial assets for unit-linked investment contracts.

Average balances and interest rates (continued)

| For the year ended | 31.12.22 | | | 31.12.21 | | | 31.12.20 | | |
|---|-----------------|--------------------|---------------------------|-----------------|--------------------|---------------------------|-----------------|--------------------|---------------------------|
| | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Liabilities and equity | | | | | | | | | |
| Amount due to banks | | | | | | | | | |
| Domestic | 10,733 | 3 | 0.0 | 10,369 | (32) | (0.3) | 8,097 | (9) | (0.1) |
| Foreign | 3,255 | 43 | 1.3 | 2,897 | 18 | 0.6 | 3,169 | 26 | 0.8 |
| Payables from securities financing transactions measured at amortized cost ¹ | | | | | | | | | |
| Domestic | 3,357 | 40 | 1.2 | 4,786 | 1 | 0.0 | 3,888 | 6 | 0.2 |
| Foreign | 13,351 | 289 | 2.2 | 14,161 | 209 | 1.5 | 18,793 | 174 | 0.9 |
| Customer deposits | | | | | | | | | |
| Domestic | 272,926 | (82) | 0.0 | 289,096 | (290) | (0.1) | 263,619 | (173) | (0.1) |
| of which: demand deposits | 147,903 | (149) | (0.1) | 160,019 | (273) | (0.2) | 137,599 | (166) | (0.1) |
| of which: savings and sweep deposits | 119,685 | 6 | 0.0 | 126,290 | 4 | 0.0 | 121,793 | 3 | 0.0 |
| of which: time deposits | 5,337 | 60 | 1.1 | 2,786 | (20) | (0.7) | 4,227 | (9) | (0.2) |
| Foreign | 246,072 | 1,819 | 0.7 | 232,165 | 107 | 0.0 | 214,785 | 552 | 0.3 |
| of which: demand deposits | 66,987 | 120 | 0.2 | 82,226 | (31) | 0.0 | 64,957 | (6) | 0.0 |
| of which: savings and sweep deposits | 111,130 | 578 | 0.5 | 99,847 | 81 | 0.1 | 71,341 | 194 | 0.3 |
| of which: time deposits | 67,955 | 1,121 | 1.7 | 50,092 | 58 | 0.1 | 78,488 | 363 | 0.5 |
| Commercial paper | | | | | | | | | |
| Domestic | 1 | 0 | 0.0 | 292 | 0 | 0.0 | 130 | 0 | (0.3) |
| Foreign | 20,452 | 256 | 1.3 | 24,461 | 33 | 0.1 | 17,098 | 120 | 0.7 |
| Other short-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 366 | 4 | 1.2 | 13 | 0 | (0.1) | 10 | 0 | 0.0 |
| Foreign | 11,927 | 124 | 1.0 | 18,473 | 37 | 0.2 | 16,989 | 147 | 0.9 |
| Long-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 67,462 | 1,946 | 2.9 | 67,916 | 1,789 | 2.6 | 64,899 | 1,988 | 3.1 |
| Foreign | 22,929 | 439 | 1.9 | 27,820 | 491 | 1.8 | 27,100 | 581 | 2.1 |
| Financial liabilities at fair value (excluding debt issued designated at fair value) ^{1,2} | | | | | | | | | |
| Domestic | 291 | 11 | 3.7 | 421 | 3 | 0.8 | 700 | 2 | 0.3 |
| Foreign | 139,657 | 1,392 | 1.0 | 137,268 | 13 | 0.0 | 145,398 | 324 | 0.2 |
| Debt issued designated at fair value | | | | | | | | | |
| Domestic | 9,278 | 127 | 1.4 | 9,905 | 48 | 0.5 | 4,376 | 35 | 0.8 |
| Foreign | 63,470 | 1,283 | 2.0 | 60,388 | 429 | 0.7 | 56,442 | 801 | 1.4 |
| Other interest-bearing liabilities | | | | | | | | | |
| Domestic | 2,883 | 14 | 0.5 | 2,884 | (7) | (0.2) | 3,333 | (6) | (0.2) |
| Foreign | 38,938 | 432 | 1.1 | 34,943 | 105 | 0.3 | 38,606 | 191 | 0.5 |
| Total interest-bearing liabilities | | | | | | | | | |
| | 927,347 | 8,142 | 0.9 | 938,259 | 2,954 | 0.3 | 887,433 | 4,759 | 0.5 |
| Swap interest on hedged debt issued and other swaps | | | | | | | | | |
| | | 40 | | | (765) | | | (608) | |
| Interest expense on off-balance sheet securities and other | | | | | | | | | |
| | | 723 | | | 795 | | | 576 | |
| Interest expense and average interest-bearing liabilities | | | | | | | | | |
| | 927,347 | 8,904 ³ | 1.0 | 938,259 | 2,985 ³ | 0.3 | 887,433 | 4,726 ³ | 0.5 |
| Non-interest-bearing liabilities ⁴ | | | | | | | | | |
| | 208,049 | | | 198,130 | | | 226,388 | | |
| Total liabilities | | | | | | | | | |
| | 1,135,396 | | | 1,136,389 | | | 1,113,820 | | |
| Total equity | | | | | | | | | |
| | 58,028 | | | 59,895 | | | 57,715 | | |
| Total average liabilities and equity | | | | | | | | | |
| | 1,193,424 | | | 1,196,284 | | | 1,171,535 | | |
| Net interest income | | | | | | | | | |
| | | 6,621 | | | 6,705 | | | 5,862 | |
| Net yield on interest-earning assets | | | | | | | | | |
| | | | 0.7 | | | 0.7 | | | 0.7 |

¹ Repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. ² Includes financial liabilities at fair value held for trading, other financial liabilities designated at fair value and brokerage payables designated at fair value. ³ For the purpose of this disclosure, negative interest expense on liabilities is presented as a reduction to interest expense, while in the consolidated income statement negative interest income on liabilities is presented as interest income. Refer to Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss in the "Consolidated financial statements" section of this report for more information. ⁴ Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial liabilities related to unit-linked investment contracts.

The percentage of total average interest-earning assets attributable to foreign activities was 61% for 2022 (2021: 60%; 2020: 62%). The percentage of total average interest-bearing liabilities attributable to foreign activities was 60% for 2022 (2021: 59%; 2020: 61%). All assets and liabilities are translated into US dollars at uniform month-end rates. Interest income and expense are translated at monthly average rates.

Average rates earned and paid on assets and liabilities can change from period to period, based on the changes in interest rates in general, but are also affected by changes in the currency mix included in the assets and liabilities. Tax-exempt income is not recorded on a tax-equivalent basis. For all three years presented, tax-exempt income is considered to be insignificant and the effect from such income is therefore negligible.

Analysis of changes in interest income and expense

The tables below provide information, by categories of interest-earning assets and interest-bearing liabilities, about the changes in interest income and expense due to changes in volume and interest rates for the year ended 31 December 2022 compared with the year ended 31 December 2021, and for the year ended 31 December 2021 compared with the year ended 31 December 2020. The change in average volume represents the change in the current average balance compared to the average balance from the prior year with respect to the average rate of the prior year. The change in average rate represents the difference between the net change in interest income and expense and the change in average volume.

| | 2022 compared with 2021 | | | 2021 compared with 2020 | | |
|---|--|--------------------------|---------------|--|--------------------------|---------------|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| <i>USD m</i> | | | | | | |
| Interest income from interest-earning assets | | | | | | |
| Balances at central banks | | | | | | |
| Domestic | (1) | 198 | 197 | (9) | 16 | 7 |
| Foreign | 0 | 626 | 626 | 0 | (38) | (38) |
| Loans and advances to banks | | | | | | |
| Domestic | (2) | 12 | 10 | 3 | (6) | (3) |
| Foreign | (1) | (3) | (4) | 3 | (23) | (20) |
| Receivables from securities financing transactions measured at amortized cost | | | | | | |
| Domestic | 9 | 49 | 58 | 9 | (44) | (35) |
| Foreign | (25) | 896 | 871 | (77) | (240) | (317) |
| Loans and advances to customers | | | | | | |
| Domestic | (57) | 34 | (23) | 239 | (42) | 197 |
| Foreign | (7) | 2,135 | 2,128 | 515 | (954) | (439) |
| Financial assets at fair value | | | | | | |
| Domestic | (4) | 43 | 39 | (7) | (22) | (29) |
| Foreign | (124) | 1,034 | 910 | (207) | (416) | (623) |
| Other interest-earning assets | | | | | | |
| Domestic | 12 | (8) | 4 | (10) | (5) | (15) |
| Foreign | 102 | 458 | 560 | 13 | (101) | (88) |
| Interest income | | | | | | |
| Domestic | (43) | 328 | 285 | 225 | (103) | 122 |
| Foreign | (55) | 5,147 | 5,092 | 247 | (1,771) | (1,524) |
| Total interest income from interest-earning assets | | | | | | |
| Net interest income on swaps | | | 253 | 418 | | |
| Interest income on off-balance sheet securities and other | | | 205 | 86 | | |
| Total interest income | | | 5,836 | (899) | | |

Analysis of changes in interest income and expense (continued)

| USD m | 2022 compared with 2021 | | | 2021 compared with 2020 | | |
|--|--|--------------------------|---------------|--|--------------------------|---------------|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest expense on interest-bearing liabilities | | | | | | |
| Amount due to banks | | | | | | |
| Domestic | (1) | 36 | 35 | (2) | (21) | (23) |
| Foreign | 2 | 23 | 25 | (2) | (6) | (8) |
| Payables from securities financing transactions measured at amortized cost | | | | | | |
| Domestic | 0 | 39 | 39 | 2 | (7) | (5) |
| Foreign | (12) | 92 | 80 | (42) | 76 | 34 |
| Customer deposits | | | | | | |
| Domestic | 2 | 206 | 208 | (19) | (98) | (117) |
| of which: demand deposits | 21 | 104 | 125 | (22) | (86) | (108) |
| of which: savings and sweep deposits | 0 | 2 | 2 | 0 | 1 | 1 |
| of which: time deposits | (19) | 99 | 80 | 3 | (14) | (11) |
| Foreign | 6 | 1,707 | 1,713 | 52 | (497) | (445) |
| of which: demand deposits | 6 | 145 | 151 | (2) | (24) | (26) |
| of which: savings and sweep deposits | 9 | 488 | 497 | 78 | (192) | (114) |
| of which: time deposits | (9) | 1,073 | 1,064 | (24) | (281) | (305) |
| Commercial paper | | | | | | |
| Domestic | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | (5) | 228 | 223 | 52 | (138) | (86) |
| Other short-term debt issued measured at amortized cost | | | | | | |
| Domestic | 0 | 5 | 5 | 0 | 0 | 0 |
| Foreign | (13) | 100 | 87 | 13 | (123) | (110) |
| Long-term debt issued measured at amortized cost | | | | | | |
| Domestic | (12) | 170 | 158 | 94 | (293) | (199) |
| Foreign | (86) | 34 | (52) | 15 | (105) | (90) |
| Financial liabilities at fair value (excluding debt issued designated at fair value) | | | | | | |
| Domestic | (1) | 8 | 7 | (1) | 2 | 1 |
| Foreign | 0 | 1,379 | 1,379 | (16) | (295) | (311) |
| Debt issued designated at fair value | | | | | | |
| Domestic | (3) | 82 | 79 | 44 | (31) | 13 |
| Foreign | 22 | 832 | 854 | 55 | (427) | (372) |
| Other interest-bearing liabilities | | | | | | |
| Domestic | 0 | 21 | 21 | 1 | (2) | (1) |
| Foreign | 12 | 316 | 328 | (18) | (68) | (86) |
| Interest expense | | | | | | |
| Domestic | (15) | 567 | 552 | 119 | (450) | (331) |
| Foreign | (74) | 4,710 | 4,636 | 109 | (1,583) | (1,474) |
| Total interest expense on interest-bearing liabilities | | | | | | |
| Swap interest on hedged debt issued and other swaps | | | 805 | | | (157) |
| Interest expense on off-balance sheet securities and other | | | (73) | | | 220 |
| Total interest expense | | | | | | |
| | | | 5,920 | | | (1,742) |

Deposits

The table below analyzes average deposits and average rates on each deposit category for the years ended 31 December 2022, 2021 and 2020. For the purpose of this disclosure, foreign deposits represent deposits from depositors who are based outside of Switzerland. Deposits by foreign depositors in domestic offices were USD 59,744m as of 31 December 2022 (31 December 2021: USD 77,011m; 31 December 2020: USD 76,167m).

| <i>USD m, except where indicated</i> | 31.12.22 | | 31.12.21 | | 31.12.20 | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Average deposits | Average rate (%) | Average deposits | Average rate (%) | Average deposits | Average rate (%) |
| Due to banks | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 908 | (0.3) | 927 | (0.5) | 1,037 | (0.4) |
| Time deposits | 2,793 | 0.5 | 3,026 | 0.0 | 1,775 | 0.4 |
| Total domestic | 3,700 | 0.3 | 3,953 | (0.1) | 2,812 | 0.1 |
| Foreign¹ | | | | | | |
| Interest-bearing deposits | 10,288 | 0.3 | 9,313 | (0.1) | 8,454 | 0.1 |
| Total due to banks | 13,988 | 0.3 | 13,266 | (0.1) | 11,266 | 0.1 |
| Customer deposits | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 95,866 | (0.1) | 101,338 | (0.2) | 90,070 | (0.1) |
| Savings and sweep deposits | 109,039 | 0.0 | 114,792 | 0.0 | 110,328 | 0.0 |
| Time deposits | 8,825 | 0.2 | 8,371 | (0.4) | 17,610 | (0.1) |
| Total domestic | 213,730 | 0.0 | 224,502 | (0.1) | 218,008 | (0.1) |
| Foreign¹ | | | | | | |
| Demand deposits | 119,024 | 0.1 | 140,906 | (0.1) | 112,486 | 0.0 |
| Savings and sweep deposits | 121,776 | 0.5 | 111,345 | 0.1 | 82,806 | 0.2 |
| Time deposits | 64,468 | 1.8 | 44,507 | 0.1 | 65,104 | 0.5 |
| Total foreign | 305,267 | 0.6 | 296,758 | 0.0 | 260,397 | 0.2 |
| Total customer deposits | 518,997 | 0.3 | 521,260 | 0.0 | 478,404 | 0.1 |

¹ For the purpose of this table, the distinction between foreign and domestic deposits is based on the domicile of the depositor, while foreign and domestic deposits disclosed in previous tables are based on the booking location.

Uninsured deposits

From the combined total of Due to banks and Customer deposits as of 31 December 2022, total estimated uninsured deposits were USD 362bn (31 December 2021: USD 392bn; 31 December 2020: USD 380bn). Uninsured deposits are deposits that are in excess of local deposit insurance or protection scheme limits in the key locations in which UBS operates, calculated based on the respective local regulations, as well as deposits in uninsured accounts. The main deposit insurance schemes applicable to UBS deposits are the Swiss depositor protection scheme in Switzerland (which protects applicable deposits up to a maximum of CHF 100,000 per client and per bank or securities firm), the Compensation Scheme of German Banks, in combination with the Deposit Protection Fund of the Association of German Banks in Germany (which protects applicable deposits up to a maximum of EUR 456m per client) and the Federal Deposit Insurance Corporation (the FDIC) scheme in the Americas (which protects applicable deposits up to a maximum of USD 250,000 per depositor, per insured bank, for each account ownership category).

The table below presents the maturity of estimated uninsured time deposits as of 31 December 2022. Where a depositor holds multiple accounts, which in aggregate are in excess of a deposit insurance or protection limit, the insured amount is first allocated to the account with the shortest time to maturity.

| <i>USD m</i> | Uninsured time deposits ¹ |
|---|--------------------------------------|
| Within 3 months | 93,030 |
| 3 to 6 months | 10,962 |
| 6 to 12 months | 7,563 |
| Over 12 months | 790 |
| Total uninsured time deposits as of 31 December 2022 | 112,345 |

¹ Amounts are estimated based on the methodologies defined in each local jurisdiction. As of 31 December 2022, there were no US time deposits subject to the FDIC scheme that were in excess of the FDIC insurance limit.

Investments in debt instruments

The table below presents the carrying amount and weighted average yield of debt instruments presented within Financial assets measured at fair value through other comprehensive income and Other financial assets measured at amortized cost on the balance sheet, by contractual maturity bucket. The yield for each range of maturities is calculated by dividing the annualized interest income by the average balance of the investment per contractual maturity bucket. The maturity information presented does not consider any early redemption features, and debt instruments without fixed maturities are not included.

| | Within 1 year | | 1 to 5 years | | 5 to 10 years | | Over 10 years | | Total carrying amount |
|---|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------------|
| | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Debt instruments measured at fair value through other comprehensive income | | | | | | | | | |
| Government bills / bonds | 26 | 0.73 | | | | | | | 26 |
| Corporate and other | 2,093 | 2.64 | 119 | 2.48 | | | | | 2,213 |
| Subtotal as of 31 December 2022 | 2,120 | | 119 | | | | | | 2,239 |
| Debt securities measured at amortized cost | | | | | | | | | |
| Asset-backed securities | | | 117 | 1.97 | 1,588 | 2.33 | 6,735 | 2.37 | 8,440 |
| Government bills / bonds | 8,584 | 1.27 | 6,236 | 1.97 | 4,403 | 1.67 | 1,837 | 2.46 | 21,060 |
| Corporate and other | 2,005 | 0.53 | 9,662 | 1.24 | 3,410 | 1.33 | 16 | 1.95 | 15,094 |
| Subtotal as of 31 December 2022 | 10,589 | | 16,015 | | 9,402 | | 8,588 | | 44,594 |
| Total as of 31 December 2022 | 12,708 | | 16,135 | | 9,402 | | 8,588 | | 46,833 |

Loan portfolio

The table below provides the maturity profile of UBS's core loan portfolio as of 31 December 2022. The contractual maturity is based on carrying amounts and includes the effect of callable features. For loans due after one year, a breakdown between fixed and adjustable or floating interest rates is also provided.

| <i>USD m</i> | 31.12.22 | | | | | <i>of which: over 1 year</i> | |
|---------------------------------------|----------------|----------------|---------------|---------------|----------------|------------------------------|------------------------------------|
| | Within 1 year | 1 to 5 years | 5 to 15 years | Over 15 years | Total | <i>Fixed rate</i> | <i>Adjustable or floating rate</i> |
| Private clients with mortgages | 15,056 | 83,223 | 31,854 | 26,797 | 156,930 | 76,707 | 65,166 |
| Real estate financing | 19,130 | 19,146 | 8,153 | 40 | 46,470 | 17,435 | 9,904 |
| Large corporate clients | 4,423 | 6,876 | 926 | 1 | 12,226 | 2,791 | 5,012 |
| SME clients | 6,647 | 4,644 | 2,612 | 0 | 13,903 | 3,393 | 3,863 |
| Lombard | 124,695 | 7,178 | 414 | 0 | 132,287 | 6,975 | 617 |
| Credit cards | 1,834 | 0 | 0 | 0 | 1,834 | 0 | 0 |
| Commodity trade finance | 3,158 | 110 | 4 | 0 | 3,272 | 4 | 110 |
| Other loans and advances to customers | 9,000 | 9,193 | 2,088 | 19 | 20,300 | 1,533 | 9,766 |
| Loans to financial advisors | 134 | 975 | 1,278 | 223 | 2,611 | 2,476 | 0 |
| Total | 184,078 | 131,345 | 47,328 | 27,080 | 389,831 | 111,315 | 94,438 |

Allowance for credit losses

For the years ended 31 December 2022, 2021 and 2020, the ratio of net charge-offs (i.e., write-offs of expected credit loss allowances to gross carrying amount of the average loans outstanding) during the period was not material for UBS's core loan portfolio, both on an overall basis and on an individual loan category basis. Total write-offs for 31 December 2022 were USD 95m (31 December 2021: USD 137m; 31 December 2020: USD 356m). Refer to the coverage ratio tables in "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" in the "Consolidated financial statements" section of this report for the ratio of expected credit loss allowances to total loans outstanding at each period end.

UBS AG consolidated supplemental disclosures required under SEC regulations

A – Introduction

The following pages contain supplemental UBS AG disclosures that are required under SEC regulations. UBS AG's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (the IASB) and are denominated in US dollars (USD), which is also the functional currency of: UBS AG's Head Office; UBS AG London Branch; and UBS AG's US-based operations.

B – Selected financial data

Selected information

| | As of or for the year ended | | |
|---|-----------------------------|---------------|---------------|
| | 31.12.22 | 31.12.21 | 31.12.20 |
| Personnel (full-time equivalents) | 47,628 | 47,067 | 47,546 |
| Americas | 21,819 | 21,317 | 21,394 |
| <i>of which: USA</i> | 21,032 | 20,537 | 20,528 |
| Asia Pacific | 8,319 | 7,993 | 8,049 |
| Europe, Middle East and Africa (excluding Switzerland) | 5,792 | 5,748 | 5,797 |
| <i>of which: UK</i> | 2,714 | 2,611 | 2,596 |
| <i>of which: rest of Europe (excluding Switzerland)</i> | 2,831 | 2,949 | 3,024 |
| <i>of which: Middle East and Africa</i> | 246 | 189 | 177 |
| Switzerland | 11,698 | 12,009 | 12,307 |
| Registered ordinary shares (number) | 3,858,408,466 | 3,858,408,466 | 3,858,408,466 |
| Treasury shares (number) | 0 | 0 | 0 |

Dividends received from investments in subsidiaries and associates

In 2022, UBS AG received dividends of USD 6,465m (2021: USD 6,401m; 2020: USD 3,214m) from its subsidiaries and associates. Dividends disclosed have been translated to US dollars from the functional currency of the entity paying the dividend, using the closing exchange rate of the month the dividend was received.

Balance sheet data

| USD m | 31.12.22 | 31.12.21 | 31.12.20 |
|---|------------------|------------------|------------------|
| Assets | | | |
| Cash and balances at central banks | 169,445 | 192,817 | 158,231 |
| Loans and advances to banks | 14,671 | 15,360 | 15,344 |
| Receivables from securities financing transactions at amortized cost | 67,814 | 75,012 | 74,210 |
| Cash collateral receivables on derivative instruments | 35,033 | 30,514 | 32,737 |
| Loans and advances to customers | 390,027 | 398,693 | 380,977 |
| Other financial assets measured at amortized cost | 53,389 | 26,236 | 27,219 |
| Total financial assets measured at amortized cost | 730,379 | 738,632 | 688,717 |
| Financial assets at fair value held for trading | 108,034 | 131,033 | 125,492 |
| <i>of which: assets pledged as collateral that may be sold or repledged by counterparties</i> | <i>36,742</i> | <i>43,397</i> | <i>47,098</i> |
| Derivative financial instruments | 150,109 | 118,145 | 159,618 |
| Brokerage receivables | 17,576 | 21,839 | 24,659 |
| Financial assets at fair value not held for trading | 59,408 | 59,642 | 80,038 |
| Total financial assets measured at fair value through profit or loss | 335,127 | 330,659 | 389,808 |
| Financial assets measured at fair value through other comprehensive income | 2,239 | 8,844 | 8,258 |
| Investments in associates | 1,101 | 1,243 | 1,557 |
| Property, equipment and software | 11,316 | 11,712 | 11,958 |
| Goodwill and intangible assets | 6,267 | 6,378 | 6,480 |
| Deferred tax assets | 9,354 | 8,839 | 9,174 |
| Other non-financial assets | 9,652 | 9,836 | 9,374 |
| Total assets | 1,105,436 | 1,116,145 | 1,125,327 |
| Liabilities | | | |
| Amounts due to banks | 11,596 | 13,101 | 11,050 |
| Payables from securities financing transactions at amortized cost | 4,202 | 5,533 | 6,321 |
| Cash collateral payables on derivative instruments | 36,436 | 31,801 | 37,313 |
| Customer deposits | 527,171 | 544,834 | 527,929 |
| Funding from UBS Group AG measured at amortized cost | 56,147 | 57,295 | 53,979 |
| Debt issued measured at amortized cost | 59,499 | 82,432 | 85,351 |
| Other financial liabilities measured at amortized cost | 10,391 | 9,765 | 10,421 |
| Total financial liabilities measured at amortized cost | 705,442 | 744,762 | 732,364 |
| Financial liabilities at fair value held for trading | 29,515 | 31,688 | 33,595 |
| Derivative financial instruments | 154,906 | 121,309 | 161,102 |
| Brokerage payables designated at fair value | 45,085 | 44,045 | 38,742 |
| Debt issued designated at fair value | 71,842 | 71,460 | 59,868 |
| Other financial liabilities designated at fair value | 32,033 | 32,414 | 31,773 |
| Total financial liabilities measured at fair value through profit or loss | 333,382 | 300,916 | 325,080 |
| Provisions | 3,183 | 3,452 | 2,791 |
| Other non-financial liabilities | 6,489 | 8,572 | 7,018 |
| Total liabilities | 1,048,496 | 1,057,702 | 1,067,254 |
| Equity attributable to shareholders | 56,598 | 58,102 | 57,754 |
| Equity attributable to non-controlling interests | 342 | 340 | 319 |
| Total equity | 56,940 | 58,442 | 58,073 |
| Total liabilities and equity | 1,105,436 | 1,116,145 | 1,125,327 |

C – Information about the company

Property, plant and equipment

As of 31 December 2022, UBS AG operated in about 663 business and banking locations worldwide, of which approximately 33% were in Switzerland, 49% in the Americas, 9% in the rest of Europe, the Middle East and Africa, and 9% in Asia Pacific. Of the business and banking locations in Switzerland, 22% were owned directly by UBS AG, with the remainder, along with most of UBS AG's offices outside Switzerland, being held under commercial leases. These premises are subject to continuous maintenance and upgrading and are considered suitable and adequate for current and anticipated operations.

D – Information required by Subpart 1400 of Regulation S-K

Selected statistical information

The tables below set forth selected statistical information regarding UBS AG's banking operations extracted from its financial statements. Unless otherwise indicated, average balances for the years ended 31 December 2022, 31 December 2021 and 31 December 2020 are calculated from monthly data. Unless otherwise indicated, the distinction between domestic (Swiss) and foreign (non-Swiss) is generally based on the booking location.

Average balances and interest rates

The tables below set forth average interest-earning assets and average interest-bearing liabilities, along with the average yield, for 2022, 2021 and 2020. Refer to "Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss" in the "Consolidated financial statements" section of this report for more information about interest income and interest expense.

| For the year ended | 31.12.22 | | | 31.12.21 | | | 31.12.20 | | |
|--|-----------------|---------------------|-------------------|-----------------|--------------------|-------------------|-----------------|---------------------|-------------------|
| <i>USD m, except where indicated</i> | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) | Average balance | Interest income | Average yield (%) |
| Assets | | | | | | | | | |
| Balances at central banks | | | | | | | | | |
| Domestic | 99,777 | 92 | 0.1 | 98,804 | (105) | (0.1) | 90,234 | (112) | (0.1) |
| Foreign | 88,267 | 595 | 0.7 | 71,529 | (31) | 0.0 | 51,611 | 7 | 0.0 |
| Loans and advances to banks | | | | | | | | | |
| Domestic | 2,966 | 50 | 1.7 | 3,158 | 40 | 1.3 | 2,930 | 43 | 1.5 |
| Foreign | 12,205 | 8 | 0.1 | 12,961 | 12 | 0.1 | 12,001 | 31 | 0.3 |
| Receivables from securities financing transactions measured at amortized cost ¹ | | | | | | | | | |
| Domestic | 6,431 | 30 | 0.5 | 9,435 | (28) | (0.3) | 4,746 | 8 | 0.2 |
| Foreign | 70,942 | 1,105 | 1.6 | 79,297 | 234 | 0.3 | 92,098 | 551 | 0.6 |
| Loans and advances to customers | | | | | | | | | |
| Domestic | 225,540 | 3,212 | 1.4 | 229,794 | 3,214 | 1.4 | 212,383 | 3,020 | 1.4 |
| Foreign | 160,496 | 4,824 | 3.0 | 160,869 | 2,698 | 1.7 | 138,485 | 3,136 | 2.3 |
| Financial assets at fair value ^{1,2} | | | | | | | | | |
| Domestic | 5,922 | 50 | 0.8 | 10,023 | 11 | 0.1 | 12,459 | 40 | 0.3 |
| Foreign | 151,672 | 2,113 | 1.4 | 169,368 | 1,203 | 0.7 | 192,381 | 1,826 | 0.9 |
| Other interest-earning assets | | | | | | | | | |
| Domestic | 8,226 | 125 | 1.5 | 7,477 | 121 | 1.6 | 8,064 | 136 | 1.7 |
| Foreign | 63,108 | 858 | 1.4 | 47,042 | 298 | 0.6 | 45,443 | 386 | 0.8 |
| Total interest-earning assets³ | | | | | | | | | |
| | 895,553 | 13,064 | 1.5 | 899,757 | 7,666 | 0.9 | 862,835 | 9,071 | 1.1 |
| Net interest income on swaps | | | | | | | | | |
| | | 1,812 | | | 1,558 | | | 1,140 | |
| Interest income on off-balance sheet securities and other | | | | | | | | | |
| | | 677 | | | 472 | | | 386 | |
| Interest income and average interest-earning assets | | | | | | | | | |
| | 895,553 | 15,553 ⁴ | 1.7 | 899,757 | 9,695 ⁴ | 1.1 | 862,835 | 10,597 ⁴ | 1.2 |
| Non-interest-earning assets ⁵ | | | | | | | | | |
| | 297,691 | | | 296,300 | | | 308,528 | | |
| Total average assets | | | | | | | | | |
| | 1,193,244 | | | 1,196,057 | | | 1,171,363 | | |

¹ Reverse repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. ² Includes financial assets at fair value held for trading, financial assets at fair value not held for trading, financial assets at fair value through other comprehensive income and brokerage receivables. ³ Non-taxable positions and amounts were not material for the years presented. ⁴ For the purpose of this disclosure, negative interest income on assets is presented as a reduction to interest income, while in the consolidated income statement negative interest income on assets is presented as interest expense. Refer to Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss in the "Consolidated financial statements" section of this report for more information. ⁵ Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial assets for unit-linked investment contracts.

Average balances and interest rates (continued)

| For the year ended | 31.12.22 | | | 31.12.21 | | | 31.12.20 | | |
|---|-----------------|--------------------|---------------------------|-----------------|--------------------|---------------------------|-----------------|--------------------|---------------------------|
| | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) | Average balance | Interest expense | Average interest rate (%) |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Liabilities and equity | | | | | | | | | |
| Amount due to banks | | | | | | | | | |
| Domestic | 10,733 | 3 | 0.0 | 10,369 | (32) | (0.3) | 8,097 | (9) | (0.1) |
| Foreign | 3,255 | 44 | 1.3 | 2,897 | 18 | 0.6 | 3,169 | 26 | 0.8 |
| Payables from securities financing transactions measured at amortized cost ¹ | | | | | | | | | |
| Domestic | 3,357 | 40 | 1.2 | 4,786 | 1 | 0.0 | 3,888 | 6 | 0.2 |
| Foreign | 13,351 | 289 | 2.2 | 14,161 | 209 | 1.5 | 18,793 | 174 | 0.9 |
| Customer deposits | | | | | | | | | |
| Domestic | 275,270 | (61) | 0.0 | 293,028 | (281) | (0.1) | 266,614 | (160) | (0.1) |
| of which: demand deposits | 149,357 | (141) | (0.1) | 162,016 | (273) | (0.2) | 138,949 | (164) | (0.1) |
| of which: savings and sweep deposits | 119,685 | 6 | 0.0 | 126,290 | 4 | 0.0 | 121,793 | 3 | 0.0 |
| of which: time deposits | 6,227 | 74 | 1.2 | 4,721 | (12) | (0.3) | 5,873 | 1 | 0.0 |
| Foreign | 246,072 | 1,820 | 0.7 | 232,165 | 107 | 0.0 | 214,783 | 551 | 0.3 |
| of which: demand deposits | 66,987 | 120 | 0.2 | 82,226 | (31) | 0.0 | 64,955 | (6) | 0.0 |
| of which: savings and sweep deposits | 111,130 | 578 | 0.5 | 99,847 | 81 | 0.1 | 71,341 | 194 | 0.3 |
| of which: time deposits | 67,956 | 1,121 | 1.7 | 50,092 | 58 | 0.1 | 78,488 | 363 | 0.5 |
| Funding from UBS Group AG | | | | | | | | | |
| Domestic | 56,884 | 1,875 | 3.3 | 56,008 | 1,699 | 3.0 | 51,005 | 1,740 | 3.4 |
| Commercial paper | | | | | | | | | |
| Domestic | 1 | 0 | 0.0 | 292 | 0 | 0.0 | 130 | 0 | 0.0 |
| Foreign | 20,452 | 256 | 1.3 | 24,461 | 33 | 0.1 | 17,098 | 120 | 0.7 |
| Other short-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 366 | 4 | 1.2 | 13 | 0 | (0.1) | 10 | 0 | 0.0 |
| Foreign | 11,927 | 124 | 1.0 | 18,473 | 37 | 0.2 | 16,989 | 147 | 0.9 |
| Long-term debt issued measured at amortized cost | | | | | | | | | |
| Domestic | 11,538 | 184 | 1.6 | 12,352 | 192 | 1.6 | 14,054 | 323 | 2.3 |
| Foreign | 22,929 | 439 | 1.9 | 27,820 | 491 | 1.8 | 27,100 | 581 | 2.1 |
| Financial liabilities at fair value (excluding debt issued designated at fair value) ^{1,2} | | | | | | | | | |
| Domestic | 289 | 11 | 3.7 | 421 | 3 | 0.8 | 701 | 2 | 0.3 |
| Foreign | 141,526 | 1,476 | 1.0 | 139,374 | 81 | 0.1 | 146,306 | 354 | 0.2 |
| Debt issued designated at fair value | | | | | | | | | |
| Domestic | 7,400 | 43 | 0.6 | 7,806 | (20) | (0.3) | 3,469 | 6 | 0.2 |
| Foreign | 63,470 | 1,283 | 2.0 | 60,388 | 429 | 0.7 | 56,442 | 801 | 1.4 |
| Other interest-bearing liabilities | | | | | | | | | |
| Domestic | 2,872 | 14 | 0.5 | 2,884 | (7) | (0.2) | 3,333 | (6) | (0.2) |
| Foreign | 38,838 | 429 | 1.1 | 34,833 | 101 | 0.3 | 38,516 | 187 | 0.5 |
| Total interest-bearing liabilities | | | | | | | | | |
| | 930,531 | 8,273 | 0.9 | 942,531 | 3,060 | 0.3 | 890,498 | 4,841 | 0.5 |
| Swap interest on hedged debt instruments and other swaps | | | | | | | | | |
| | | 40 | | | (765) | | | (608) | |
| Interest expense on off-balance sheet securities and other | | | | | | | | | |
| | | 723 | | | 797 | | | 576 | |
| Interest expense and average interest-bearing liabilities | | | | | | | | | |
| | 930,531 | 9,035 ³ | 1.0 | 942,531 | 3,091 ³ | 0.3 | 890,498 | 4,809 ³ | 0.5 |
| Non-interest-bearing liabilities ⁴ | | | | | | | | | |
| | 206,337 | | | 196,273 | | | 224,468 | | |
| Total liabilities | | | | | | | | | |
| | 1,136,868 | | | 1,138,804 | | | 1,114,966 | | |
| Total equity | | | | | | | | | |
| | 56,376 | | | 57,254 | | | 56,397 | | |
| Total average liabilities and equity | | | | | | | | | |
| | 1,193,244 | | | 1,196,057 | | | 1,171,363 | | |
| Net interest income | | | | | | | | | |
| | | 6,517 | | | 6,604 | | | 5,788 | |
| Net yield on interest-earning assets | | | | | | | | | |
| | | | 0.7 | | | 0.7 | | | 0.7 |

¹ Repurchase agreements are presented on a gross basis and therefore, for the purpose of this disclosure, do not reflect the effect of netting permitted under IFRS. ² Includes financial liabilities at fair value held for trading, other financial liabilities designated at fair value and brokerage payables designated at fair value. ³ For the purpose of this disclosure, negative interest expense on liabilities is presented as a reduction to interest expense, while in the consolidated income statement negative interest income on liabilities is presented as interest income. Refer to Note 3 Net interest income and other net income from financial instruments measured at fair value through profit or loss in the "Consolidated financial statements" section of this report for more information. ⁴ Mainly includes derivative financial instruments, equity instruments at fair value held for trading and financial liabilities related to unit-linked investment contracts.

The percentage of total average interest-earning assets attributable to foreign activities was 61% for 2022 (2021: 60%; 2020: 62%). The percentage of total average interest-bearing liabilities attributable to foreign activities was 60% for 2022 (2021: 59%; 2020: 61%). All assets and liabilities are translated into US dollars at uniform month-end rates. Interest income and expense are translated at monthly average rates.

Average rates earned and paid on assets and liabilities can change from period to period based on the changes in interest rates in general, but are also affected by changes in the currency mix included in the assets and liabilities. Tax-exempt income is not recorded on a tax-equivalent basis. For all three years presented, tax-exempt income is considered to be insignificant and the effect from such income is therefore negligible.

Analysis of changes in interest income and expense

The tables below provide information by categories of interest-earning assets and interest-bearing liabilities, about the changes in interest income and expense due to changes in volume and interest rates for the year ended 31 December 2022 compared with the year ended 31 December 2021, and for the year ended 31 December 2021 compared with the year ended 31 December 2020. The change in average volume represents the change in the current average balance compared to the average balance from the prior year with respect to the average rate of the prior year. The change in average rate represents the difference between the net change in interest income and expense and the change in average volume.

| USD m | 2022 compared with 2021 | | | 2021 compared with 2020 | | |
|---|--|--------------------------|---------------|--|--------------------------|---------------|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest income from interest-earning assets | | | | | | |
| Balances at central banks | | | | | | |
| Domestic | (1) | 198 | 197 | (9) | 16 | 7 |
| Foreign | (7) | 633 | 626 | 0 | (38) | (38) |
| Loans and advances to banks | | | | | | |
| Domestic | (2) | 12 | 10 | 3 | (6) | (3) |
| Foreign | (1) | (3) | (4) | 3 | (23) | (20) |
| Receivables from securities financing transactions measured at amortized cost | | | | | | |
| Domestic | 9 | 49 | 58 | 9 | (44) | (35) |
| Foreign | (25) | 896 | 871 | (77) | (240) | (317) |
| Loans and advances to customers | | | | | | |
| Domestic | (59) | 58 | (1) | 244 | (50) | 194 |
| Foreign | (6) | 2,133 | 2,127 | 515 | (954) | (439) |
| Financial assets at fair value | | | | | | |
| Domestic | (5) | 44 | 39 | (7) | (22) | (29) |
| Foreign | (126) | 1,036 | 910 | (207) | (416) | (623) |
| Other interest-earning assets | | | | | | |
| Domestic | 12 | (8) | 4 | (10) | (5) | (15) |
| Foreign | 102 | 458 | 560 | 13 | (101) | (88) |
| Interest income | | | | | | |
| Domestic | (46) | 354 | 308 | 230 | (111) | 119 |
| Foreign | (63) | 5,154 | 5,091 | 247 | (1,772) | (1,525) |
| Total interest income from interest-earning assets | | | | | | |
| | (109) | 5,507 | 5,398 | 477 | (1,883) | (1,406) |
| Net interest income on swaps | | | | | | |
| | | | 254 | | | 418 |
| Interest income on off-balance sheet securities and other | | | | | | |
| | | | 205 | | | 86 |
| Total interest income | | | | | | |
| | | | 5,858 | | | (902) |

Analysis of changes in interest income and expense (continued)

| USD m | 2022 compared with 2021 | | | 2021 compared with 2020 | | |
|--|--|--------------------------|---------------|--|--------------------------|----------------|
| | Increase / (decrease) due to changes in | | | Increase / (decrease) due to changes in | | |
| | Average volume | Average interest rate | Net change | Average volume | Average interest rate | Net change |
| Interest expense on interest-bearing liabilities | | | | | | |
| Amount due to banks | | | | | | |
| Domestic | (1) | 36 | 35 | (2) | (21) | (23) |
| Foreign | 2 | 23 | 25 | (2) | (5) | (7) |
| Payables from securities financing transactions measured at amortized cost | | | | | | |
| Domestic | 0 | 39 | 39 | 2 | (7) | (5) |
| Foreign | (12) | 92 | 80 | (42) | 76 | 34 |
| Customer deposits | | | | | | |
| Domestic | 17 | 203 | 220 | (23) | (98) | (121) |
| <i>of which: demand deposits</i> | 21 | 111 | 132 | (23) | (86) | (109) |
| <i>of which: savings and sweep deposits</i> | 0 | 2 | 2 | 0 | 1 | 1 |
| <i>of which: time deposits</i> | (4) | 90 | 86 | 0 | (13) | (13) |
| Foreign | 6 | 1,707 | 1,713 | 52 | (497) | (445) |
| <i>of which: demand deposits</i> | 6 | 145 | 151 | 0 | (26) | (26) |
| <i>of which: savings and sweep deposits</i> | 9 | 488 | 497 | 86 | (200) | (114) |
| <i>of which: time deposits</i> | 21 | 1,043 | 1,064 | (142) | (163) | (305) |
| Funding from UBS Group AG | | | | | | |
| Domestic | 27 | 149 | 176 | 170 | (211) | (41) |
| Commercial paper | | | | | | |
| Domestic | 0 | 0 | 0 | 0 | 0 | 0 |
| Foreign | (5) | 228 | 223 | 52 | (138) | (86) |
| Other short-term debt issued measured at amortized cost | | | | | | |
| Domestic | 0 | 5 | 5 | 0 | 0 | 0 |
| Foreign | (13) | 100 | 87 | 13 | (123) | (110) |
| Long-term debt issued measured at amortized cost | | | | | | |
| Domestic | (13) | 5 | (8) | (39) | (92) | (131) |
| Foreign | (86) | 34 | (52) | 15 | (105) | (90) |
| Financial liabilities at fair value (excluding debt issued designated at fair value) | | | | | | |
| Domestic | (1) | 8 | 7 | (1) | 2 | 1 |
| Foreign | 1 | 1,395 | 1,396 | (14) | (259) | (273) |
| Debt issued designated at fair value | | | | | | |
| Domestic | 1 | 61 | 62 | 9 | (34) | (25) |
| Foreign | 22 | 832 | 854 | 55 | (426) | (371) |
| Other interest-bearing liabilities | | | | | | |
| Domestic | 0 | 21 | 21 | 1 | (2) | (1) |
| Foreign | 12 | 316 | 328 | (18) | (68) | (86) |
| Interest expense | | | | | | |
| Domestic | 30 | 529 | 559 | 117 | (463) | (346) |
| Foreign | (73) | 4,727 | 4,654 | 111 | (1,546) | (1,435) |
| Total interest expense on interest-bearing liabilities | | | | | | |
| Swap interest on hedged debt instruments and other swaps | | | 805 | | | (157) |
| Interest expense on off-balance sheet securities and other | | | (74) | | | 221 |
| Total interest expense | | | 5,944 | | | (1,718) |

Deposits

The table below analyzes average deposits and average rates on each deposit category for the years ended 31 December 2022, 2021 and 2020. For the purpose of this disclosure, foreign deposits represent deposits from depositors who are based outside of Switzerland. Deposits by foreign depositors in domestic offices were USD 59,897m as of 31 December 2022 (31 December 2021: USD 77,070m; 31 December 2020: USD 76,200m).

| <i>USD m, except where indicated</i> | 31.12.22 | | 31.12.21 | | 31.12.20 | |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Average deposits | Average rate (%) | Average deposits | Average rate (%) | Average deposits | Average rate (%) |
| Due to banks | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 908 | (0.3) | 927 | (0.5) | 1,037 | (0.4) |
| Time deposits | 2,793 | 0.5 | 3,026 | 0.0 | 1,775 | 0.4 |
| Total domestic | 3,700 | 0.3 | 3,953 | (0.1) | 2,812 | 0.1 |
| Foreign¹ | | | | | | |
| Interest-bearing deposits | 10,288 | 0.3 | 9,313 | (0.1) | 8,454 | 0.1 |
| Total due to banks | 13,988 | 0.3 | 13,266 | (0.1) | 11,266 | 0.1 |
| Customer deposits | | | | | | |
| Domestic | | | | | | |
| Demand deposits | 97,217 | (0.1) | 103,267 | (0.2) | 91,404 | (0.1) |
| Savings and sweep deposits | 109,039 | 0.0 | 114,792 | 0.0 | 110,328 | 0.0 |
| Time deposits | 9,715 | 0.4 | 10,306 | (0.2) | 19,256 | 0.0 |
| Total domestic | 215,971 | 0.0 | 228,366 | (0.1) | 220,988 | 0.0 |
| Foreign¹ | | | | | | |
| Demand deposits | 119,127 | 0.1 | 140,975 | (0.1) | 112,499 | 0.0 |
| Savings and sweep deposits | 121,776 | 0.5 | 111,345 | 0.1 | 82,806 | 0.2 |
| Time deposits | 64,468 | 1.8 | 44,507 | 0.1 | 65,104 | 0.5 |
| Total foreign | 305,370 | 0.6 | 296,826 | 0.0 | 260,410 | 0.2 |
| Total customer deposits | 521,342 | 0.3 | 525,192 | 0.0 | 481,398 | 0.1 |

¹ For the purpose of this table, the distinction between foreign and domestic deposits is based on the domicile of the depositor, while foreign and domestic deposits disclosed in previous tables are based on the booking location.

Uninsured deposits

From the combined total of Due to banks and Customer deposits as of 31 December 2022, total estimated uninsured deposits were USD 365bn (31 December 2021: USD 395bn; 31 December 2020: USD 383bn). Uninsured deposits are deposits that are in excess of local deposit insurance or protection scheme limits in the key locations in which UBS AG operates, calculated based on the respective local regulations, as well as deposits in uninsured accounts. The main deposit insurance schemes applicable to UBS AG deposits are the Swiss depositor protection scheme in Switzerland (which protects applicable deposits up to a maximum of CHF 100,000 per client and per bank or securities firm), the Compensation Scheme of German Banks, in combination with the Deposit Protection Fund of the Association of German Banks in Germany (which protects applicable deposits up to a maximum of EUR 456m per client) and the Federal Deposit Insurance Corporation (the FDIC) scheme in the Americas (which protects applicable deposits up to a maximum of USD 250,000 per depositor, per insured bank, for each account ownership category).

The table below presents the maturity of estimated uninsured time deposits as of 31 December 2022. Where a depositor holds multiple accounts, which in aggregate are in excess of a deposit insurance or protection limit, the insured amount is first allocated to the account with the shortest time to maturity.

| <i>USD m</i> | Uninsured time deposits ¹ |
|---|--------------------------------------|
| Within 3 months | 93,308 |
| 3 to 6 months | 10,963 |
| 6 to 12 months | 7,564 |
| Over 12 months | 1,148 |
| Total uninsured time deposits as of 31 December 2022 | 112,983 |

¹ Amounts are estimated based on the methodologies defined in each local jurisdiction. As of 31 December 2022, there were no US time deposits subject to the FDIC scheme that were in excess of the FDIC insurance limit.

Investments in debt instruments

The table below presents the carrying amount and weighted average yield of debt instruments presented within Financial assets measured at fair value through other comprehensive income and Other financial assets measured at amortized cost on the balance sheet by contractual maturity bucket. The yield for each range of maturities is calculated by dividing the annualized interest income by the average balance of the investment per contractual maturity bucket. The maturity information presented does not consider any early redemption features and debt instruments without fixed maturities are not included.

| | Within 1 year | | 1 to 5 years | | 5 to 10 years | | Over 10 years | | Total carrying amount |
|---|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------------|
| | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | Carrying amount | Yield (%) | |
| <i>USD m, except where indicated</i> | | | | | | | | | |
| Debt instruments measured at fair value through other comprehensive income | | | | | | | | | |
| Government bills / bonds | 26 | 0.73 | | | | | | | 26 |
| Corporate and other | 2,093 | 2.64 | 119 | 2.48 | | | | | 2,213 |
| Subtotal as of 31 December 2022 | 2,120 | | 119 | | | | | | 2,239 |
| Debt securities measured at amortized cost | | | | | | | | | |
| Asset-backed securities | | | 117 | 1.97 | 1,588 | 2.33 | 6,735 | 2.37 | 8,440 |
| Government bills / bonds | 8,584 | 1.27 | 6,236 | 1.97 | 4,403 | 1.67 | 1,837 | 2.46 | 21,060 |
| Corporate and other | 2,005 | 0.53 | 9,662 | 1.24 | 3,410 | 1.33 | 16 | 1.95 | 15,094 |
| Subtotal as of 31 December 2022 | 10,589 | | 16,015 | | 9,402 | | 8,588 | | 44,594 |
| Total as of 31 December 2022 | 12,708 | | 16,135 | | 9,402 | | 8,588 | | 46,833 |

Loan portfolio

The table below provides the maturity profile of UBS AG's core loan portfolio as of 31 December 2022. The contractual maturity is based on carrying amounts and includes the effect of callable features. For loans due after one year, a breakdown between fixed and adjustable or floating interest rates is also provided.

| <i>USD m</i> | 31.12.22 | | | | Total | of which: over 1 year | |
|---------------------------------------|----------------|----------------|---------------|---------------|----------------|-----------------------|-----------------------------|
| | Within 1 year | 1 to 5 years | 5 to 15 years | Over 15 years | | Fixed rate | Adjustable or floating rate |
| Private clients with mortgages | 15,056 | 83,223 | 31,854 | 26,797 | 156,930 | 76,707 | 65,166 |
| Real estate financing | 19,130 | 19,146 | 8,153 | 40 | 46,470 | 17,435 | 9,904 |
| Large corporate clients | 4,423 | 6,876 | 926 | 1 | 12,226 | 2,791 | 5,012 |
| SME clients | 6,647 | 4,644 | 2,612 | 0 | 13,903 | 3,393 | 3,863 |
| Lombard | 124,695 | 7,178 | 414 | 0 | 132,287 | 6,975 | 617 |
| Credit cards | 1,834 | 0 | 0 | 0 | 1,834 | 0 | 0 |
| Commodity trade finance | 3,158 | 110 | 4 | 0 | 3,272 | 4 | 110 |
| Other loans and advances to customers | 11,570 | 9,382 | 2,135 | 19 | 23,107 | 1,609 | 9,927 |
| Loans to financial advisors | 134 | 975 | 1,278 | 223 | 2,611 | 2,476 | 0 |
| Total | 186,648 | 131,535 | 47,376 | 27,080 | 392,638 | 111,391 | 94,600 |

Allowance for credit losses

For the years ended 31 December 2022, 2021 and 2020, the ratio of net charge-offs (i.e., write-offs of expected credit loss allowances to gross carrying amount of the average loans outstanding) during the period was not material for UBS AG's core loan portfolio, both on an overall basis and on an individual loan category basis. Total write-offs for 31 December 2022 were USD 95m (31 December 2021: USD 137m, 31 December 2020: USD 356m). Refer to the coverage ratio tables in "Note 9 Financial assets at amortized cost and other positions in scope of expected credit loss measurement" in the "Consolidated financial statements" section of this report for the ratio of expected credit loss allowances to total loans outstanding at each period end.

Appendix

Alternative performance measures

Alternative performance measures

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

| APM label | Calculation | Information content |
|--|---|--|
| Active Digital Banking clients in Corporate & Institutional Clients (%) – Personal & Corporate Banking | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships or legal entities operated by Corporate & Institutional Clients, excluding clients that do not have an account, mono-product clients and clients that have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers or per legal entity in a digital banking contract). | This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) which are serviced by Corporate & Institutional Clients. |
| Active Digital Banking clients in Personal Banking (%) – Personal & Corporate Banking | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships operated by Personal Banking, excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland and clients who have defaulted on loans or credit facilities. At the end of each month, any client that has logged on at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers in a digital banking contract). | This measure provides information about the proportion of active Digital Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking. |
| Active Mobile Banking clients in Personal Banking (%) – Personal & Corporate Banking | Calculated as the average number of active clients for each month in the relevant period divided by the average number of total clients. "Clients" refers to the number of unique business relationships operated by Personal Banking, excluding persons under the age of 15, clients who do not have a private account, clients domiciled outside Switzerland and clients who have defaulted on loans or credit facilities. At the end of each month, any client that has logged on via the mobile app at least once in that month is determined to be "active" (a log-in time stamp is allocated to all business relationship numbers in a digital banking contract). | This measure provides information about the proportion of active Mobile Banking clients in the total number of UBS clients (within the aforementioned meaning) who are serviced by Personal Banking. |
| Cost / income ratio (%) | Calculated as operating expenses divided by total revenues. | This measure provides information about the efficiency of the business by comparing operating expenses with gross income. |
| Fee and trading income for Corporate & Institutional Clients (USD and CHF) – Personal & Corporate Banking | Calculated as the total of recurring net fee and transaction-based income for Corporate & Institutional Clients. | This measure provides information about the amount of fee and trading income for Corporate & Institutional Clients. |

| APM label | Calculation | Information content |
|---|---|--|
| Fee-generating assets (USD) – Global Wealth Management | Calculated as the sum of discretionary and nondiscretionary wealth management portfolios (mandate volume) and assets where generated revenues are predominantly of a recurring nature, i.e., mainly investment, mutual, hedge and private-market funds where we have a distribution agreement, including client commitments into closed-ended private-market funds from the date that recurring fees are charged. Assets related to our Global Financial Intermediaries business are excluded, as are assets of sanctioned clients. | This measure provides information about the volume of invested assets that create a revenue stream, whether as a result of the nature of the contractual relationship with clients or through the fee structure of the asset. An increase in the level of fee-generating assets results in an increase in the associated revenue stream. Assets of sanctioned clients are excluded from fee-generating assets. |
| Fee-generating asset margin (bps) – Global Wealth Management | Calculated as revenues from fee-generating assets (a portion of which is included in recurring fee income and a portion of which is included in transaction-based income, annualized as applicable) divided by average fee-generating assets for the relevant mandate fee billing period. For the US, fees have been billed on daily balances since the fourth quarter of 2020 and average fee-generating assets are calculated as the average of the monthly average balances. Prior to the fourth quarter of 2020, billing was based on prior quarter-end balances, and the average fee-generating assets were thus the prior quarter-end balance. For balances outside of the US, billing is based on prior month-end balances and average fee-generating assets are thus the average of the prior month-end balances. | This measure provides information about the revenues from fee-generating assets in relation to their average volume during the relevant mandate fee billing period. |
| Gross margin on invested assets (bps) – Asset Management | Calculated as total revenues (annualized as applicable) divided by average invested assets. | This measure provides information about the total revenues of the business in relation to invested assets. |
| Impaired loan portfolio as a percentage of total loan portfolio, gross (%) – Global Wealth Management, Personal & Corporate Banking | Calculated as impaired loan portfolio divided by total gross loan portfolio. | This measure provides information about the proportion of impaired loan portfolio in the total gross loan portfolio. |
| Invested assets (USD and CHF) – Global Wealth Management, Personal & Corporate Banking, Asset Management | 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. |
| Investment products for Personal Banking (USD and CHF) – Personal & Corporate Banking | Calculated as the sum of investment funds (including UBS Vitainvest third-pillar pension funds), mandates and third-party life insurance operated in Personal Banking. | This measure provides information about the volume of investment funds (including UBS Vitainvest third-pillar pension funds), mandates and third-party life insurance operated in Personal Banking. |
| Net interest margin (bps) – Personal & Corporate Banking | Calculated as net interest income (annualized as applicable) divided by average loans. | This measure provides information about the profitability of the business by calculating the difference between the price charged for lending and the cost of funding, relative to loan value. |
| Net new fee-generating assets (USD) – Global Wealth Management | Calculated as the sum of the net amount of fee-generating asset inflows and outflows, including dividend and interest inflows into mandates and outflows from mandate fees paid by clients during a specific period. Excluded from the calculation are the effects on fee-generating assets of strategic decisions by UBS to exit markets or services. | This measure provides information about the development of fee-generating assets during a specific period as a result of net flows, excluding movements due to market performance and foreign exchange translation, as well as the effects on fee-generating assets of strategic decisions by UBS to exit markets or services. |
| Net new fee-generating asset growth rate (%) – Global Wealth Management | Calculated as the sum of the net amount of fee-generating asset inflows and outflows recorded during a specific period (annualized as applicable) divided by total fee-generating assets at the beginning of the period. | This measure provides information about the growth of fee-generating assets during a specific period as a result of net new fee-generating asset flows. |
| Net new investment products for Personal Banking (USD and CHF) – Personal & Corporate Banking | Calculated as the sum of the net amount of inflows and outflows of investment products during a specific period. | This measure provides information about the development of investment products during a specific period as a result of net new investment product flows. |

| APM label | Calculation | Information content |
|--|--|---|
| Net new money (USD) – Global Wealth Management, Asset Management | Calculated as the sum of the net amount of inflows and outflows of invested assets (as defined in UBS policy) recorded during a specific period. Excluded from the calculation are the effects on invested assets of strategic decisions by UBS to exit markets or services. Net new money for Global Wealth Management is disclosed on an annual basis. Net new money is not measured for Personal & Corporate Banking. | This measure provides information about the development of invested assets during a specific period as a result of net new money flows and excludes movements due to market performance, foreign exchange translation, dividends, interest and fees, as well as the effects on invested assets of strategic decisions by UBS to exit markets or services. |
| Net profit growth (%) | Calculated as the change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of the comparison period. | This measure provides information about profit growth since the comparison period. |
| Pre-tax profit growth (%) | Calculated as the change in net profit before tax attributable to shareholders from continuing operations between current and comparison periods divided by net profit before tax attributable to shareholders from continuing operations of the comparison period. | This measure provides information about pre-tax profit growth since the comparison period. |
| Recurring net fee income (USD and CHF) – Global Wealth Management, Personal & Corporate Banking | Calculated as the total of fees for services provided on an ongoing basis, such as portfolio management fees, asset-based investment fund fees and custody fees, which are generated on client assets, and administrative fees for accounts. | This measure provides information about the amount of recurring net fee income. |
| Return on attributed equity (%) | Calculated as annualized business division operating profit before tax divided by average attributed equity. | This measure provides information about the profitability of the business divisions in relation to attributed equity. |
| Return on common equity tier 1 capital (%) | Calculated as annualized net profit attributable to shareholders divided by average common equity tier 1 capital. | This measure provides information about the profitability of the business in relation to common equity tier 1 capital. |
| Return on equity (%) | Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders. | This measure provides information about the profitability of the business in relation to equity. |
| Return on leverage ratio denominator, gross (%) | Calculated as annualized total revenues divided by average leverage ratio denominator. | This measure provides information about the revenues of the business in relation to the leverage ratio denominator. |
| Return on tangible equity (%) | Calculated as annualized net profit attributable to shareholders divided by average equity attributable to shareholders less average goodwill and intangible assets. | This measure provides information about the profitability of the business in relation to tangible equity. |
| Tangible book value per share (USD) | Calculated as equity attributable to shareholders less goodwill and intangible assets divided by the number of shares outstanding. | This measure provides information about tangible net assets on a per-share basis. |
| Total book value per share (USD) | Calculated as equity attributable to shareholders divided by the number of shares outstanding. | This measure provides information about net assets on a per-share basis. |
| Transaction-based income (USD and CHF) – Global Wealth Management, Personal & Corporate Banking | Calculated as the total of the non-recurring portion of net fee and commission income, mainly composed of brokerage and transaction-based investment fund fees, and credit card fees, as well as fees for payment and foreign exchange transactions, together with other net income from financial instruments measured at fair value through profit or loss. | This measure provides information about the amount of the non-recurring portion of net fee and commission income, together with other net income from financial instruments measured at fair value through profit or loss. |

Abbreviations frequently used in our financial reports

| | | | | | |
|----------|--|----------|--|----------|---|
| A | | CRM | credit risk mitigation (credit risk) or comprehensive risk measure (market risk) | FSB | Financial Stability Board |
| ABS | asset-backed securities | | | FTA | Swiss Federal Tax Administration |
| AG | Aktiengesellschaft | | | | |
| AGM | Annual General Meeting of shareholders | CST | combined stress test | FVA | funding valuation adjustment |
| A-IRB | advanced internal ratings-based | CUSIP | Committee on Uniform Security Identification Procedures | FVOCI | fair value through other comprehensive income |
| AIV | alternative investment vehicle | CVA | credit valuation adjustment | FVTPL | fair value through profit or loss |
| ALCO | Asset and Liability Committee | D | | FX | foreign exchange |
| AMA | advanced measurement approach | DBO | defined benefit obligation | G | |
| AML | anti-money laundering | DCCP | Deferred Contingent Capital Plan | GAAP | generally accepted accounting principles |
| AoA | Articles of Association | DE&I | diversity, equity and inclusion | GBP | pound sterling |
| APM | alternative performance measure | DFAST | Dodd–Frank act stress test | GCRG | Group Compliance, Regulatory & Governance |
| ARR | alternative reference rate | DM | discount margin | GDP | gross domestic product |
| ARS | auction rate securities | DOJ | US Department of Justice | GEB | Group Executive Board |
| ASF | available stable funding | DTA | deferred tax asset | GHG | greenhouse gas |
| AT1 | additional tier 1 | DVA | debit valuation adjustment | GIA | Group Internal Audit |
| AuM | assets under management | E | | GRI | Global Reporting Initiative |
| B | | EAD | exposure at default | G-SIB | global systemically important bank |
| BCBS | Basel Committee on Banking Supervision | EB | Executive Board | | |
| BIS | Bank for International Settlements | EC | European Commission | H | |
| BoD | Board of Directors | ECB | European Central Bank | HQLA | high-quality liquid assets |
| C | | ECL | expected credit loss | I | |
| CAO | Capital Adequacy Ordinance | EGM | Extraordinary General Meeting of shareholders | IAS | International Accounting Standards |
| CCAR | Comprehensive Capital Analysis and Review | EIR | effective interest rate | IASB | International Accounting Standards Board |
| CCF | credit conversion factor | EL | expected loss | IBOR | interbank offered rate |
| CCP | central counterparty | EMEA | Europe, Middle East and Africa | IFRIC | International Financial Reporting Interpretations Committee |
| CCR | counterparty credit risk | EOP | Equity Ownership Plan | IFRS | International Financial Reporting Standards |
| CCRC | Corporate Culture and Responsibility Committee | EPS | earnings per share | IRB | internal ratings-based |
| CDS | credit default swap | ESG | environmental, social and governance | IRRBB | interest rate risk in the banking book |
| CEA | Commodity Exchange Act | ESR | environmental and social risk | ISDA | International Swaps and Derivatives Association |
| CEO | Chief Executive Officer | ETD | exchange-traded derivatives | ISIN | International Securities Identification Number |
| CET1 | common equity tier 1 | ETF | exchange-traded fund | | |
| CFO | Chief Financial Officer | EU | European Union | | |
| CGU | cash-generating unit | EUR | euro | | |
| CHF | Swiss franc | EURIBOR | Euro Interbank Offered Rate | | |
| CIO | Chief Investment Office | EVE | economic value of equity | | |
| C&ORC | Compliance & Operational Risk Control | EY | Ernst & Young Ltd | | |
| | | F | | | |
| | | FA | financial advisor | | |
| | | FCA | UK Financial Conduct Authority | | |
| | | FDIC | Federal Deposit Insurance Corporation | | |
| | | FINMA | Swiss Financial Market Supervisory Authority | | |
| | | FMIA | Swiss Financial Market Infrastructure Act | | |

Abbreviations frequently used in our financial reports (continued)

| | | | | | |
|----------|--|----------|---|----------|---|
| K | | R | | T | |
| KRT | Key Risk Taker | RBC | risk-based capital | TBTF | too big to fail |
| | | RbM | risk-based monitoring | TCFD | Task Force on Climate-related Financial Disclosures |
| L | | REIT | real estate investment trust | TIBOR | Tokyo Interbank Offered Rate |
| LAS | liquidity-adjusted stress | RMBS | residential mortgage-backed securities | TLAC | total loss-absorbing capacity |
| LCR | liquidity coverage ratio | RniV | risks not in VaR | TTC | through the cycle |
| LGD | loss given default | RoCET1 | return on CET1 capital | | |
| LIBOR | London Interbank Offered Rate | RoU | right-of-use | U | |
| LLC | limited liability company | rTSR | relative total shareholder return | USD | US dollar |
| LoD | lines of defense | RWA | risk-weighted assets | V | |
| LRD | leverage ratio denominator | S | | VaR | value-at-risk |
| LTIP | Long-Term Incentive Plan | SA | standardized approach or société anonyme | VAT | value added tax |
| LTV | loan-to-value | SA-CCR | standardized approach for counterparty credit risk | | |
| M | | SAR | Special Administrative Region of the People's Republic of China | | |
| M&A | mergers and acquisitions | SDG | Sustainable Development Goal | | |
| MRT | Material Risk Taker | SEC | US Securities and Exchange Commission | | |
| N | | SFT | securities financing transaction | | |
| NII | net interest income | SI | sustainable investing or sustainable investment | | |
| NSFR | net stable funding ratio | SIBOR | Singapore Interbank Offered Rate | | |
| NYSE | New York Stock Exchange | SICR | significant increase in credit risk | | |
| O | | SIX | SIX Swiss Exchange | | |
| OCA | own credit adjustment | SME | small and medium-sized entities | | |
| OCI | other comprehensive income | SMF | Senior Management Function | | |
| OECD | Organisation for Economic Co-operation and Development | SNB | Swiss National Bank | | |
| OTC | over-the-counter | SOR | Singapore Swap Offer Rate | | |
| P | | SPPI | solely payments of principal and interest | | |
| PD | probability of default | SRB | systemically relevant bank | | |
| PIT | point in time | SRM | specific risk measure | | |
| P&L | profit or loss | SVaR | stressed value-at-risk | | |
| POCI | purchased or originated credit-impaired | | | | |
| Q | | | | | |
| QCCP | Qualifying central counterparty | | | | |

This is a general list of the abbreviations frequently used in our financial reporting. Not all of the listed abbreviations may appear in this particular report.

Information sources

Reporting publications

Annual publications

Annual Report: Published in English, this single-volume report provides descriptions of: our Group strategy and performance; the strategy and performance of the business divisions and Group Functions; risk, treasury and capital management; corporate governance, corporate responsibility and our compensation framework, including information about compensation for the Board of Directors and the Group Executive Board members; and financial information, including the financial statements.

“Auszug aus dem Geschäftsbericht”: This publication provides a German translation of selected sections of our Annual Report.

Compensation Report: This report discusses our compensation framework and provides information about compensation for the Board of Directors and the Group Executive Board members. It is available in English and German (*“Vergütungsbericht”*) and represents a component of the Annual Report.

Sustainability Report: Published in English, our Sustainability Report provides disclosures on environmental, social and governance topics related to UBS Group.

Diversity, Equity and Inclusion Report: This report details our DE&I priority areas of focus, our strategic goals and our approach to achieving them at UBS.

Quarterly publications

Quarterly financial report: This report provides an update on our performance and strategy (where applicable) for the respective quarter. It is available in English.

The annual and quarterly publications are available in a fully digital and .pdf format at ubs.com/investors, under “Financial information.” Starting with our Annual Report 2022, we no longer provide printed copies, in any language, of the aforementioned annual publications.

Other information

Website

The “Investor Relations” website at ubs.com/investors provides the following information about UBS: results-related news releases; financial information, including results-related filings with the US Securities and Exchange Commission (the SEC); information for shareholders, including UBS share price charts, as well as data and dividend information, and for bondholders; our corporate calendar; and presentations by management for investors and financial analysts. Information is available online in English, with some information also available in German.

Results presentations

Our quarterly results presentations are webcast live. Recordings of most presentations can be downloaded from ubs.com/presentations.

Messaging service

Email alerts to news about UBS can be subscribed for under “UBS News Alert” at ubs.com/global/en/investor-relations/contact/investor-services.html. Messages are sent in English, German, French or Italian, with an option to select theme preferences for such alerts.

Form 20-F and other submissions to the US Securities and Exchange Commission

We file periodic reports and submit other information about UBS to the SEC. Principal among these filings is the annual report on Form 20-F, filed pursuant to the US Securities Exchange Act of 1934. The filing of Form 20-F is structured as a wraparound document. Most sections of the filing can be satisfied by referring to the combined UBS Group AG and UBS AG Annual Report. However, there is a small amount of additional information in Form 20-F that is not presented elsewhere and is particularly targeted at readers in the US. Readers are encouraged to refer to this additional disclosure. Any document that we file with the SEC is available on the SEC’s website: sec.gov. Refer to ubs.com/investors for more information.

Cautionary Statement Regarding Forward-Looking Statements | This report contains statements that constitute “forward-looking statements,” including but not limited to management’s outlook for UBS’s financial performance, statements relating to the anticipated effect of transactions and strategic initiatives on UBS’s business and future development and goals or intentions to achieve climate, sustainability and other social objectives. While these forward-looking statements represent UBS’s judgments, expectations and objectives concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS’s expectations. The Russia–Ukraine war has led to heightened volatility across global markets, exacerbated global inflation, and slowed global growth. In addition, the war has caused significant population displacement, and if the conflict continues or escalates, the scale of disruption will increase and continue to cause shortages of vital commodities, including energy shortages and food insecurity, and may lead to recessions in OECD economies. The coordinated sanctions on Russia and Belarus, and Russian and Belarusian entities and nationals, and the uncertainty as to whether the war will widen and intensify, may have significant adverse effects on the market and macroeconomic conditions, including in ways that cannot be anticipated. This creates significantly greater uncertainty about forward-looking statements. Other factors that may affect our performance and ability to achieve our plans, outlook and other objectives also include, but are not limited to: (i) the degree to which UBS is successful in the ongoing execution of its strategic plans, including its cost reduction and efficiency initiatives and its ability to manage its levels of risk-weighted assets (RWA) and leverage ratio denominator (LRD), liquidity coverage ratio and other financial resources, including changes in RWA assets and liabilities arising from higher market volatility; (ii) the degree to which UBS is successful in implementing changes to its businesses to meet changing market, regulatory and other conditions; (iii) increased interest rate volatility in major markets; (iv) developments in the macroeconomic climate and in the markets in which UBS operates or to which it is exposed, including movements in securities prices or liquidity, credit spreads, currency exchange rates, the effects of economic conditions, including increasing inflationary pressures, market developments, increasing geopolitical tensions, and changes to national trade policies on the financial position or creditworthiness of UBS’s clients and counterparties, as well as on client sentiment and levels of activity, including the COVID-19 pandemic and the measures taken to manage it, which have had and may also continue to have a significant adverse effect on global and regional economic activity, including disruptions to global supply chains and labor market displacements; (v) changes in the availability of capital and funding, including any changes in UBS’s credit spreads and ratings, as well as availability and cost of funding to meet requirements for debt eligible for total loss-absorbing capacity (TLAC); (vi) changes in central bank policies or the implementation of financial legislation and regulation in Switzerland, the US, the UK, the European Union and other financial centers that have imposed, or resulted in, or may do so in the future, more stringent or entity-specific capital, TLAC, leverage ratio, net stable funding ratio, liquidity and funding requirements, heightened operational resilience requirements, incremental tax requirements, additional levies, limitations on permitted activities, constraints on remuneration, constraints on transfers of capital and liquidity and sharing of operational costs across the Group or other measures, and the effect these will or would have on UBS’s business activities; (vii) UBS’s ability to successfully implement resolvability and related regulatory requirements and the potential need to make further changes to the legal structure or booking model of UBS Group in response to legal and regulatory requirements, or other external developments; (viii) UBS’s ability to maintain and improve its systems and controls for complying with sanctions in a timely manner and for the detection and prevention of money laundering to meet evolving regulatory requirements and expectations, in particular in current geopolitical turmoil; (ix) the uncertainty arising from domestic stresses in certain major economies; (x) changes in UBS’s competitive position, including whether differences in regulatory capital and other requirements among the major financial centers adversely affect UBS’s ability to compete in certain lines of business; (xi) changes in the standards of conduct applicable to our businesses that may result from new regulations or new enforcement of existing standards, including measures to impose new and enhanced duties when interacting with customers and in the execution and handling of customer transactions; (xii) the liability to which UBS may be exposed, or possible constraints or sanctions that regulatory authorities might impose on UBS, due to litigation, contractual claims and regulatory investigations, including the potential for disqualification from certain businesses, potentially large fines or monetary penalties, or the loss of licenses or privileges as a result of regulatory or other governmental sanctions, as well as the effect that litigation, regulatory and similar matters have on the operational risk component of our RWA, as well as the amount of capital available for return to shareholders; (xiii) the effects on UBS’s business, in particular cross-border banking, of sanctions, tax or regulatory developments and of possible changes in UBS’s policies and practices; (xiv) UBS’s ability to retain and attract the employees necessary to generate revenues and to manage, support and control its businesses, which may be affected by competitive factors; (xv) changes in accounting or tax standards or policies, and determinations or interpretations affecting the recognition of gain or loss, the valuation of goodwill, the recognition of deferred tax assets and other matters; (xvi) UBS’s ability to implement new technologies and business methods, including digital services and technologies, and ability to successfully compete with both existing and new financial service providers, some of which may not be regulated to the same extent; (xvii) limitations on the effectiveness of UBS’s internal processes for risk management, risk control, measurement and modeling, and of financial models generally; (xviii) the occurrence of operational failures, such as fraud, misconduct, unauthorized trading, financial crime, cyberattacks, data leakage and systems failures, the risk of which is increased with cyberattack threats from nation states; (xix) restrictions on the ability of UBS Group AG to make payments or distributions, including due to restrictions on the ability of its subsidiaries to make loans or distributions, directly or indirectly, or, in the case of financial difficulties, due to the exercise by FINMA or the regulators of UBS’s operations in other countries of their broad statutory powers in relation to protective measures, restructuring and liquidation proceedings; (xx) the degree to which changes in regulation, capital or legal structure, financial results or other factors may affect UBS’s ability to maintain its stated capital return objective; (xxi) uncertainty over the scope of actions that may be required by UBS, governments and others for UBS to achieve goals relating to climate, environmental and social matters, as well as the evolving nature of underlying science and industry and the possibility of conflict between different governmental standards and regulatory regimes; and (xxii) the effect that these or other factors or unanticipated events may have on our reputation and the additional consequences that this may have on our business and performance. The sequence in which the factors above are presented is not indicative of their likelihood of occurrence or the potential magnitude of their consequences. Our business and financial performance could be affected by other factors identified in our past and future filings and reports, including those filed with the US Securities and Exchange Commission (the SEC). More detailed information about those factors is set forth in documents furnished by UBS and filings made by UBS with the SEC, including UBS’s Annual Report on Form 20-F for the year ended 31 December 2022. UBS is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding | Numbers presented throughout this report may not add up precisely to the totals provided in the tables and text. Percentages and percent changes disclosed in text and tables are calculated on the basis of unrounded figures. Absolute changes between reporting periods disclosed in the text, which can be derived from numbers presented in related tables, are calculated on a rounded basis.

Tables | Within tables, blank fields generally indicate non-applicability or that presentation of any content would not be meaningful, or that information is not available as of the relevant date or for the relevant period. Zero values generally indicate that the respective figure is zero on an actual or rounded basis. Values that are zero on a rounded basis can be either negative or positive on an actual basis.

UBS Group AG
P.O. Box, CH-8098 Zurich

UBS AG
P.O. Box, CH-8098 Zurich
P.O. Box, CH-4002 Basel

ubs.com



Articles of Association UBS Group AG (UBS Group SA) (UBS Group Inc.)

6 April 2022

The present text is a translation of the original German Articles of Association (“Statuten”) which constitute the definitive text and are binding in law.

In these Articles of Association, references to the generic masculine equally apply to both sexes.

Contents

| | |
|---|----|
| Section 1 | |
| Name, registered office, business object and duration of the Corporation | 4 |
| Section 2 | |
| Share capital | 5 |
| Section 3 | |
| Corporate bodies | 9 |
| A. General Meeting | 9 |
| B. Board of Directors | 13 |
| C. Group Executive Board | 18 |
| D. Auditors | 20 |
| Section 4 | |
| Financial statements and appropriation of profit, reserves | 21 |
| Section 5 | |
| Compensation of the members of the Board of Directors and the Group Executive Board | 21 |
| Section 6 | |
| Notices and jurisdiction | 25 |
| Section 7 | |
| Disclosure of contributions in kind | 26 |

Section 1

Name, registered office, business object and duration of the Corporation

| | |
|-----------------------------------|--|
| Name and registered office | Article 1 A corporation limited by shares under the name of UBS Group AG / UBS Group SA / UBS Group Inc. is established with its registered office in Zurich. |
| Purpose | Article 2 ¹ The purpose of the Corporation is to acquire, hold, manage and sell direct and indirect participations in enterprises of any kind, in particular in the area of banking, financial, advisory, trading and service activities in Switzerland and abroad. ² The Corporation may establish enterprises of any kind in Switzerland and abroad, hold equity interests in these enterprises, and conduct their management. ³ The Corporation is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. ⁴ The Corporation may provide loans, guarantees and other kinds of financing and security for Group companies and borrow and invest money on the money and capital markets. |
| Duration | Article 3 The duration of the Corporation shall not be limited by time. |

Section 2

Share capital

Share capital

Article 4

¹ The share capital of the Corporation is CHF 352,463,572.20, divided into 3,524,635,722 registered shares with a par value of CHF 0.10 each. The share capital is fully paid up.

² Registered shares may be converted into bearer shares and bearer shares into registered shares by resolution of the General Meeting.

Conditional capital

Article 4a

¹ The share capital may be increased by a maximum of CHF 12,170,583.00 through the issuance of a maximum of 121,705,830 fully paid registered shares with a par value of CHF 0.10 each upon exercise of employee options issued to employees and members of the management and of the Board of Directors of the Corporation and its subsidiaries. The preemptive rights and the advance subscription rights of the shareholders shall be excluded.

The

issuance of these options to employees and members of the management and of the Board of Directors of the Corporation and its subsidiaries will take place in accordance with the plan rules issued by the Board of Directors and its compensation committee. The acquisition of shares through the exercise of option rights as well as every subsequent transfer of these shares shall be subject to the registration requirements set forth in Article 5 of the Articles of Association.

² The share capital may be increased in an amount not to exceed CHF 38,000,000 by the issuance of up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each through the voluntary or mandatory exercise of conversion rights and/or warrants granted in connection with the issuance of bonds or similar financial instruments by the Corporation or one of its Group companies on national or international capital markets. The pre-emptive rights of the shareholders shall be excluded. The then current owners of conversion rights and/or warrants shall be entitled to subscribe for the new shares. The conditions of the conversion rights and/or warrants shall be determined by the Board of Directors. The acquisition of shares through voluntary or mandatory exercise of conversion rights and/or warrants, as well as each subsequent transfer of the shares, shall be subject to the registration requirements set forth in Article 5 of the Articles of Association. In connection with the issuance of convertible bonds or bonds with warrants or similar financial instruments, the Board of Directors shall be authorized to restrict or exclude the advance subscription rights of shareholders if such instruments are issued (i) on national or international capital markets or (ii) to one or more financial investors. If the advance subscription rights are restricted or excluded by the Board of Directors, the following shall apply: the issuance of such instrument shall be made at prevailing market conditions, and the new shares shall be issued pursuant to the relevant conditions of that financial instrument. Conversion rights may be exercised during a maximum 10-year period, and warrants may be exercised during a maximum 7-year period, in each case from the date of the respective issuance. The issuance of the new shares upon voluntary or mandatory exercise of conversion rights and/or warrants shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of the issuance of the relevant financial instrument.

Share register and nominees

Article 5

¹ A share register is maintained for the registered shares, in which owners' and usufructuaries' family and given names are entered, with their complete address and nationality (or registered office for legal entities). Shares held in joint accounts may be registered jointly with voting rights, if all registered owners of the shares provide the declaration requested in paragraph 3 below.

² If the mailing address of a shareholder changes, the new address must be communicated to the Corporation. As long as this has not been done, all written communications will be sent to the address entered in the share register, this being valid according to the requirements of the law.

³ Those who acquire registered shares shall be entered in the share register as shareholders with voting rights if they expressly declare that they acquired these registered shares in their own names and for their own account. If the party acquiring the shares is not prepared to provide such a declaration, the Board of Directors may refuse to allow the shares to be entered with voting rights.

⁴ The restriction on registration under paragraph 3 above also applies to shares acquired by the exercise of preemptive, option or conversion rights.

⁵ The Board of Directors is authorized, after hearing the position of the registered shareholder or nominee affected, to strike the entry of a shareholder with voting rights from the share register retroactively with effect to the date of the entry, if it was obtained under false pretenses. The party affected must be informed of the action immediately.

⁶ The Board of Directors formulates general principles relating to the registration of fiduciaries/nominees and issues the necessary regulations to ensure compliance with the above provisions.

Form of shares

Article 6

¹ Registered shares of the Corporation will be, subject to paragraph 2, in the form of uncertificated securities (in the sense of the Swiss Code of Obligations) and intermediary-held securities (in the sense of the Swiss Federal Intermediated Securities Act).

² Following his registration in the share register, the shareholder may request the Corporation to issue a written statement in respect of his registered shares at any time; however, he has no entitlement to the printing and delivery of share certificates. In contrast, the Corporation may print and deliver share certificates for registered shares (single certificates, certificates representing multiples of shares or global certificates) at any time. It may withdraw registered shares issued as intermediary-held securities from the respective custody system. With the consent of the shareholder, the Corporation may cancel issued certificates which are returned to it without replacement.

Exercise of rights

Article 7

¹ The Corporation recognizes only one representative per share.

² Voting rights and associated rights may only be exercised in relation to the Corporation by a party entered in the share register as having the right to vote.

Section 3

Corporate bodies

A. General Meeting

| | |
|--|--|
| Authority | Article 8 The General Meeting is the Corporation's supreme corporate body. |
| Types of General Meetings | Article 9 The Annual General Meeting takes place every year within six months after the close of the financial year; the annual report, the compensation report and the reports of the Auditors must be available for inspection by shareholders at the Corporation's registered office at least twenty days before the meeting. |
| a. Annual General Meeting | |
| b. Extraordinary General Meetings | Article 10 ¹ Extraordinary General Meetings are convened whenever the Board of Directors or the Auditors consider it necessary. ² Such a meeting must also be convened upon a resolution of the General Meeting or a written request from one or more shareholders representing together at least one tenth of the share capital, specifying the items to be included on the agenda and the proposals to be put forward. |
| Convening | Article 11 ¹ The General Meeting shall be called by the Board of Directors or, if need be, by the Auditors at least twenty days before the meeting is to take place. The meeting is called by publishing a single notice in the publication of record designated by the Corporation. An invitation will be sent to all registered shareholders. ² The notice to convene the General Meeting shall specify the agenda with the proposals of the Board of Directors and proposals from shareholders and, in the event of elections, the names of the proposed candidates. |

Placing of items on the agenda

Article 12

¹ Shareholders representing shares with an aggregate par value of CHF 62,500 may submit proposals for matters to be placed on the agenda for consideration by the General Meeting, provided that their proposals are submitted in writing within the deadline published by the Corporation and include the actual motion(s) to be put forward.

² No resolutions may be passed concerning matters which have not been duly placed on the agenda, except on a motion put forward at the General Meeting to call an Extraordinary General Meeting or a motion for a special audit to be carried out.

Chairmanship, tellers, minutes

Article 13

¹ The Chairman of the Board of Directors or, if the Chairman cannot attend, a Vice Chairman or another member designated by the Board of Directors, shall preside over the General Meeting and appoint a secretary and the necessary tellers.

² Minutes are kept of the proceedings and must be signed by the presiding chair of the meeting and the secretary.

Shareholder proxies

Article 14

¹ The Board of Directors issues procedural rules for participation and representation of shareholders at the General Meeting, including the requirements as to powers of attorney.

² A shareholder may only be represented at the General Meeting by his legal representative, under a written power of attorney by another shareholder eligible to vote or, under a written or electronic power of attorney, by the Independent Proxy.

³ The presiding chair of the meeting decides whether to recognize the power of attorney.

Independent Proxy

Article 15

¹ The Independent Proxy shall be elected by the General Meeting for a term of office expiring after completion of the next Annual General Meeting.

² Re-election is permitted.

³ If the Corporation does not have an Independent Proxy, the Board of Directors shall appoint the Independent Proxy for the next General Meeting.

Voting right

Article 16

Each share conveys the right to cast one vote.

Resolutions, elections

Article 17

¹ Resolutions and elections are decided at the General Meeting by an absolute majority of the votes cast, excluding blank and invalid ballots, subject to these Articles of Association and the compulsory provisions of the law.

² A resolution to change Article 19 of the Articles of Association, to remove one fourth or more of the members of the Board of Directors or to delete or modify Article 17 paragraph 2 of the Articles of Association must receive at least two thirds of the votes represented.

³ The presiding chair of the meeting shall decide whether voting on resolutions and elections be conducted electronically, by a show of hands or by a written ballot. Shareholders representing at least 3% of the votes represented may always request that a vote or election take place electronically or by a written ballot.

⁴ In the case of a written ballot, the presiding chair of the meeting may rule that only the ballots of those shareholders shall be collected who choose to abstain or to cast a negative vote, and that all other shares represented at the General Meeting at the time of the vote shall be counted in favor, in order to expedite the counting of the votes.

⁵ The presiding chair of the meeting may order that a resolution or election be repeated if, in his view, the results of the vote are in doubt. In this case, the preceding resolution or election shall be deemed to have not occurred.

Powers

Article 18

The General Meeting has the following powers:

- a) To establish and amend the Articles of Association
- b) To elect the members and the Chairman of the Board of Directors and the members of the compensation committee
- c) To elect the Auditors
- d) To elect the Independent Proxy
- e) To approve the management report and the Group financial statements

- f) To approve the financial statements and to decide upon the appropriation of the net profit shown in the balance sheet
- g) To approve the compensation for the Board of Directors and the Group Executive Board pursuant to Article 43 of the Articles of Association
- h) To give the members of the Board of Directors and of the Group Executive Board a discharge
- i) To take decisions on all matters reserved to the General Meeting by law or by the Articles of Association, or which are placed before it by the Board of Directors.

B. Board of Directors

| | |
|---------------------------------|--|
| Number of Board members | Article 19 The Board of Directors shall consist of at least six and no more than twelve members. |
| Term of office | Article 20 ¹ The term of office for members of the Board of Directors and its Chairman expires after completion of the next Annual General Meeting. ² Members whose term of office has expired are immediately eligible for re-election. |
| Organization | Article 21 ¹ Except for the election of the Chairman and the members of the compensation committee by the General Meeting, the Board of Directors shall constitute itself. It shall elect at least one Vice Chairman and a Senior Independent Director from among its members. ² The Board of Directors shall appoint its secretary, who need not be a member of the Board. ³ If the office of the Chairman is vacant, the Board of Directors shall appoint a new Chairman from among its members for the remaining term of office. |
| Convening, participation | Article 22 ¹ The Chairman shall convene the Board of Directors as often as business requires, but at least six times a year. ² The Board of Directors shall also be convened if one of its members or the Group Chief Executive Officer submits a written request to the Chairman to hold such a meeting. |
| Decisions | Article 23 ¹ Decisions of the Board of Directors are taken by an absolute majority of the votes present. In case of a tie, the presiding chair of the meeting shall cast the deciding vote. ² The number of members who must be present to constitute a quorum and the modalities for the passing of resolutions shall be laid down by the Board of Directors in the Organization Regulations. No such quorum is required for decisions confirming and amending resolutions relating to capital increases. |

Duties and powers

Article 24

¹ The Board of Directors has ultimate responsibility for the management of the Corporation and the supervision and control of its executive management.

² The Board of Directors may also take decisions on all matters which are not expressly reserved to the General Meeting or to another corporate body by law or by the Articles of Association.

Ultimate responsibility for the management of the Corporation

Article 25

The ultimate responsibility for the management of the Corporation comprises in particular:

- a) Preparing of and deciding on proposals to be placed before the General Meeting
- b) Issuing the regulations necessary for the conduct of business and for the delineation of authority, in particular the Organization Regulations and the regulations governing the Group Internal Audit
- c) Laying down the principles for the accounting, financial and risk controls and financial planning, in particular the allocation of equity resources and risk capital for business operations
- d) Decisions on Group strategy and other matters reserved to the Board of Directors under the Organization Regulations
- e) Appointment and removal of (i) the Group Chief Executive Officer, (ii) such other members of the Group Executive Board as the Organization Regulations require to be appointed by the Board of Directors and (iii) the Head of Group Internal Audit
- f) Decisions on increasing the share capital, to the extent this falls within the authority of the Board of Directors (Article 651 paragraph 4 of the Swiss Code of Obligations), on the report concerning an increase in capital (Article 652e of the Swiss Code of Obligations) and on the ascertainment of capital increases and the corresponding amendments to the Articles of Association.

**Supervision,
control**

Article 26

Supervision and control of the business management comprises in particular the following:

- a) Review of the management report, Group and parent company financial statements, the compensation report as well as quarterly financial statements
- b) Acceptance of regular reports covering the course of business and the position of the Group, the status and development of country, counterparty and market risks and the extent to which equity and risk capital are tied up due to business operations
- c) Consideration of reports prepared by the Auditors.

**Delegation,
Organization
Regulations**

Article 27

The Board of Directors may delegate part of its authority to one or more of its members or to third parties, subject to Articles 25 and 26 of the Articles of Association. The allocation of authority and functions shall be defined in the Organization Regulations.

**Number of
members, term of
office and
organization of the
compensation
committee**

Article 28

- ¹ The compensation committee shall consist of at least three members of the Board of Directors.
- ² The compensation committee shall organize itself within the limits of the law and of the Articles of Association. The Board of Directors shall appoint a chairperson.
- ³ If there are vacancies on the compensation committee, the Board of Directors shall appoint the missing members from among its members for the remaining term of office.

**Duties and
powers of the
compensation
committee**

Article 29

¹ The compensation committee supports the Board of Directors in establishing and reviewing the Corporation's compensation strategy and guidelines and in articulating the performance criteria relevant for determining individual total compensation for each member of the Group Executive Board. The compensation committee also prepares the proposals to the General Meeting regarding the compensation of the Board of Directors and of the Group Executive Board and may submit proposals to the Board of Directors on other compensation-related issues.

² The Board of Directors shall determine, and codify in the Organization Regulations, for which functions of the Group Executive Board the compensation committee shall establish and review financial and non-financial performance targets and assess the performance against these targets to determine compensation recommendations for the members of the Group Executive Board. In accordance with the Organization Regulations, these recommendations shall be presented to the Board of Directors for review or approval, subject to the approval by the General Meeting as set out in Article 43 of the Articles of Association. The compensation committee shall, in accordance with the Organization Regulations, also submit a proposal for the compensation for the members of the Board of Directors to the Board of Directors, subject to the approval by the General Meeting as set out in Article 43 of the Articles of Association.

³ The Board of Directors may delegate further tasks to the compensation committee which shall be determined in the Organization Regulations approved by the Board of Directors.

Signatures

Article 30

The due and valid representation of the Corporation by members of the Board of Directors or further persons shall be determined in the Organization Regulations and a specific directive.

Mandates

Article 31

¹ No member of the Board of Directors may hold more than four additional mandates in listed companies and five additional mandates in non-listed companies.

² The following mandates are not subject to the limitations set forth in paragraph 1:

- a) Mandates in companies which are controlled by the Corporation or which control the Corporation
- b) Mandates held at the request of the Corporation or companies controlled by it. No member of the Board of Directors shall hold more than ten such mandates

c) Mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Board of Directors shall hold more than ten such mandates.

³ Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate.

Terms of agreements relating to compensation

Article 32

The Corporation or companies controlled by it may enter into agreements for a fixed term with members of the Board of Directors relating to their compensation. Duration and termination shall comply with the term of office and the law.

Loans

Article 33

Loans to the independent members of the Board of Directors shall be made in accordance with the customary business and market conditions. Loans to the non-independent members of the Board of Directors shall be made in the ordinary course of business on substantially the same terms as those granted to employees of the Corporation or companies controlled by it. The total amount of such loans shall not exceed CHF 20,000,000 per member.

C. Group Executive Board

| | |
|-------------------------------|--|
| Organization | Article 34 The Group Executive Board is composed of the Group Chief Executive Officer and at least three other members as further set forth in the Organization Regulations. |
| Functions, authorities | Article 35 ¹ The Group Executive Board acting under the leadership of the Group Chief Executive Officer is responsible for the management of the Group. It is the supreme executive body as defined by the Swiss Federal Law on Banks and Savings Banks. It implements the Group strategy decided by the Board of Directors and ensures the execution of the decisions of the Board of Directors. It is responsible for the Group's results. ² The responsibilities and authorities of the Group Executive Board and other management units designated by the Board of Directors are set forth in the Organization Regulations. |
| Mandates | Article 36 ¹ No member of the Group Executive Board may hold more than one additional mandate in a listed company and five additional mandates in non-listed companies, subject to approval by the Board of Directors. ² The following mandates are not subject to the limitations set forth in paragraph 1: a) Mandates in companies which are controlled by the Corporation or which control the Corporation b) Mandates held at the request of the Corporation or companies controlled by it. No member of the Group Executive Board shall hold more than ten such mandates c) Mandates in associations, charitable organizations, foundations, trusts and employee welfare foundations. No member of the Group Executive Board shall hold more than eight such mandates. ³ Mandates shall mean mandates in the supreme governing body of a legal entity which is required to be registered in the commercial register or a comparable foreign register. Mandates in different legal entities which are under joint control are deemed one mandate. |

**Employment
contract terms**

Article 37

¹ The term of employment contracts with the members of the Group Executive Board may be unlimited with a notice period of up to twelve months or may be fixed with a term of up to one year.

² The Corporation or companies controlled by it may enter into non-compete agreements with the members of the Group Executive Board for the time after termination of the employment agreement for a duration of up to one year. The respective consideration shall not exceed the total compensation paid or granted to such member of the Group Executive Board for the last full financial year prior to termination.

Loans

Article 38

Loans to the members of the Group Executive Board shall be made in the ordinary course of business on substantially the same terms as those granted to employees of the Corporation or companies controlled by it. The total amount of such loans shall not exceed CHF 20,000,000 per member.

D. Auditors

Term of office, authority and duties

Article 39

¹ An auditing company subject to governmental supervision as required by law is to be appointed as Auditors.

² The General Meeting shall elect the Auditors for a term of office of one year. The rights and duties of the Auditors are determined by the provisions of the law.

³ The General Meeting may appoint Special Auditors for a term of three years, who provide the attestations required for capital increases.

Section 4

Financial statements and appropriation of profit, reserves

| | |
|---|---|
| Financial year | Article 40 The financial statements and the Group financial statements are closed on 31 December of each year. |
| Appropriation of disposable profit | Article 41 ¹ At least 5% of the profit for the year is allocated to the general statutory reserve until such time as said reserve amounts to 20% of the share capital. ² The remaining profit is, subject to the provisions of the Swiss Code of Obligations and of the Swiss Federal Banking Act, at the disposal of the General Meeting who may also use it for the formation of free or special reserves. |
| Reserves | Article 42 The General Meeting determines the utilization of the general statutory reserve in accordance with the legal provisions acting upon the proposal of the Board of Directors. |

Section 5

Compensation of the members of the Board of Directors and the Group Executive Board

| | |
|---|---|
| Approval of the compensation of the Board of Directors and the Group Executive Board | Article 43 ¹ The General Meeting shall approve the proposals of the Board of Directors in relation to: a) The maximum aggregate amount of compensation of the Board of Directors for the period until the next Annual General Meeting b) The maximum aggregate amount of fixed compensation of the Group Executive Board for the following financial year c) The aggregate amount of variable compensation of the Group Executive Board for the preceding financial year. |
|---|---|

² The Board of Directors may submit for approval by the General Meeting deviating or additional proposals relating to the same or different periods.

³ In the event the General Meeting does not approve a proposal of the Board of Directors, the Board of Directors shall determine, taking into account all relevant factors, the respective (maximum) aggregate amount or (maximum) partial amounts and submit the amount(s) so determined for approval by the General Meeting.

⁴ The Corporation or companies controlled by it may pay or grant compensation prior to approval by the General Meeting, subject to subsequent approval.

Article 44

General compensation principles

¹ The compensation system of the Corporation is designed to align reward with sustainable performance and to support appropriate and controlled risk-taking.

² When determining individual compensation, the Board of Directors or, where delegated to it, the compensation committee takes into account position and level of responsibility of the recipient and performance of the Corporation and companies controlled by it. It ensures compliance with applicable regulatory requirements.

³ Compensation may be paid or granted in the form of cash, shares, financial instruments or units, in kind, or in the form of benefits. The Board of Directors or, where delegated to it, the compensation committee determines the key features, such as grant, vesting, exercise and forfeiture conditions and applicable harmful acts provisions. The Board of Directors, or where delegated to it, the compensation committee may provide, among other things, for continuation, acceleration or removal of vesting and exercise conditions, for payment or grant of compensation assuming target achievement or for forfeiture in the event of predetermined events such as a change-of-control or termination of an employment or mandate agreement. The Corporation or companies controlled by it may procure any shares required to meet any resulting payment obligations through purchases in the market or, to the extent available, by using the Corporation's conditional share capital.

⁴ Compensation may be paid or granted by the Corporation or companies controlled by it.

**Compensation
of the Board
of Directors**

Article 45

¹ Compensation of the members of the Board of Directors shall comprise a base remuneration and may comprise other compensation elements and benefits.

² Compensation of the members of the Board of Directors is intended to recognize the responsibility and governance nature of their role, to attract and retain qualified individuals and to ensure alignment with shareholders' interest.

**Compensation
of the Group
Executive Board**

Article 46

¹ Compensation of the members of the Group Executive Board shall comprise fixed and variable compensation elements.

² Fixed compensation shall comprise the base salary and may comprise other compensation elements and benefits.

³ Variable compensation elements shall be governed by financial and non-financial performance measures that take into account the performance of the Corporation and/or parts thereof, targets in relation to the market, other companies or comparable benchmarks, short- and long-term strategic objectives and/or individual targets. The Board of Directors or, where delegated to it, the compensation committee determines the respective performance measures, the overall and individual performance targets, and their achievements.

⁴ The Board of Directors or, where delegated to it, the compensation committee aims to ensure alignment with sustainable performance and appropriate risk-taking through adequate deferrals, forfeiture conditions, caps on compensation, harmful acts provisions and similar means with regard to parts of or all of the compensation. Parts of variable compensation shall be subject to a multi-year vesting period.

⁵ If the maximum aggregate amount of compensation already approved by the General Meeting is not sufficient to also cover the compensation of a person who becomes a member of or is being promoted within the Group Executive Board after the General Meeting has approved the compensation, the Corporation or companies controlled by it shall be authorized to pay or grant each such Group Executive Board member a supplementary amount during the compensation period(s) already approved. The aggregate pool for such supplementary amounts per compensation period shall not exceed 40% of the average of total annual compensation paid or granted to the Group Executive Board during the previous three years.

Section 6

Notices and jurisdiction

| | |
|-----------------------------------|--|
| Official publication media | Article 47 Public notices appear in the Swiss Official Gazette of Commerce (in French “Feuille Officielle Suisse du Commerce”, or German “Schweizerisches Handelsamtsblatt”). The Board of Directors may designate other publications as well. |
| Jurisdiction | Article 48 Jurisdiction for any disputes arising out of the corporate relationship shall solely be at the registered office of the Corporation. |

Section 7

Disclosure of contributions in kind

Contribution in kind

Article 49

¹ In connection with the capital increase dated 26 November 2014, the Corporation acquires from UBS AG, Zurich and Basel, acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who have tendered their shares in the course of the public exchange offer of the Corporation, 3,183,370,731 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 32,718,731,974.95. In return, the Corporation has issued 3,183,370,731 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

² In connection with the capital increase dated 26 November 2014, the Corporation acquires from UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, U.S., acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who have tendered their shares in the course of the public exchange offer of the Corporation, 201,494,824 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 2,070,966,814.07. In return, the Corporation has issued 201,494,824 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

³ In connection with the capital increase dated 26 November 2014, the Corporation acquires from UBS AG, Zurich and Basel, acting as contributor in kind in its own name and in relation to shares tendered during the initial offer period in the course of the public exchange offer of the Corporation, 90,490,886 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 1,533,820,517.70. In return, the Corporation has issued, on a one-to-one basis, 90,490,886 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

⁴ In connection with the capital increase dated 16 December 2014, the Corporation acquires from UBS AG, Zurich and Basel, acting as contributor in kind in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who (i) have tendered their shares in the course of the public exchange offer of the Corporation or (ii) have offered their registered shares for a private exchange under the terms of this public exchange offer, 229,042,914 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 2,244,527,510.81. In return, the Corporation has issued, on a one-to-one basis, 229,042,914 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

⁵ In connection with the capital increase dated 16 December 2014, the Corporation acquires from UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, U.S., acting as contributor in kind in its own name but for account of certain shareholders of UBS AG, Zurich and Basel, who have tendered their shares in the course of the public exchange offer of the Corporation, 12,510,852 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 122,601,267.19. In return, the Corporation has issued, on a one-to-one basis, 12,510,852 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

⁶ In connection with the capital increase dated 10 February 2015, the Corporation acquires from UBS AG, Zurich and Basel, 11,800,250 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 130,476,501.09. In return, the Corporation has issued 11,800,250 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

⁷ In connection with the capital increase dated 9 March 2015, the Corporation acquires from UBS AG, Zurich and Basel, 9,525,000 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 104,986,854.19. In return, the Corporation has issued, on a one-to-one basis, 9,525,000 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

⁸ In connection with the capital increase dated 12 June 2015, the Corporation acquires from UBS AG, Zurich and Basel, 17,500,000 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 199,898,088.25. In return, the Corporation has issued, on a one-to-one basis, 17,500,000 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

⁹ In connection with the capital increase dated 28 August 2015, the Corporation acquires from UBS AG, Zurich and Basel, 88,825,456 shares of UBS AG, Zurich and Basel, with a par value of CHF 0.10 each and a total value of CHF 968,693,952.29. In return, the Corporation has issued, on a one-to-one basis, 88,825,456 registered shares in the Corporation with a par value of CHF 0.10 each to the contributor in kind.

UBS Group AG
P.O. Box, CH-8098 Zurich

www.ubs.com



© UBS 2022. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

UBS GROUP AG AND UBS AG

**DESCRIPTION OF SECURITIES REGISTERED UNDER SECTION 12 OF THE SECURITIES EXCHANGE ACT
OF 1934**

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Description of the Corporation's Ordinary Shares | 1 |
| Medium-Term Notes, Series A..... | 3 |
| Medium-Term Notes, Series B..... | 22 |
| 1. UBS AG FI Enhanced Large Cap Growth ETN due June 19, 2024..... | 41 |
| 2. UBS AG FI Enhanced Europe 50 ETN due February 12, 2026..... | 54 |
| 3. UBS AG FI Enhanced Global High Yield ETN due March 3, 2026..... | 65 |
| 4. ETRACS UBS Bloomberg Constant Maturity Commodity Index (CMCI) Total Return ETN Series B due April 5, 2038..... | 78 |
| 5. ETRACS Bloomberg Commodity Index Total Return SM ETN Series B due October 31, 2039..... | 84 |
| 6. ETRACS Alerian MLP Infrastructure Index ETN Series B due April 2, 2040..... | 91 |
| 7. ETRACS MVIS Business Development Companies Index ETN due April 26, 2041 | 103 |
| 8. ETRACS Alerian MLP Index ETN Series B due July 18, 2042 | 115 |
| 9. ETRACS Monthly Pay 2xLeveraged US Small Cap High Dividend ETN Series B, due November 10, 2048..... | 129 |
| 10. ETRACS 2xMonthly Pay Leveraged Preferred Stock Index ETN due September 25, 2048..... | 144 |
| 11. ETRACS NYSE® Pickens CoreMidstream™ Index ETN due August 20, 2048..... | 159 |
| 12. ETRACS Monthly Pay 2xLeveraged US High Dividend Low Volatility ETN Series B due October 21, 2049..... | 171 |
| 13. ETRACS Quarterly Pay 1.5x Leveraged Alerian MLP Index ETN due June 10, 2050..... | 186 |
| 14. ETRACS Quarterly Pay 1.5X Leveraged MVIS BDC Index ETN due June 10, 2050..... | 205 |
| 15. ETRACS Monthly Pay 1.5x Leveraged Mortgage REIT ETN due June 10, 2050 | 224 |
| 16. ETRACS Monthly Pay 1.5x Leveraged Closed-End Fund Index ETN due June 10, 2050 | 243 |
| 17. ETRACS Alerian Midstream Energy Index due June 21, 2050 | 261 |
| 18. ETRACS Alerian Midstream Energy High Dividend Index ETN due July 19, 2050 | 274 |
| 19. ETRACS Alerian Midstream Energy Total Return Index ETN due October 20, 2050 | 287 |
| 20. ETRACS 2x Leveraged MSCI USA ESG Focus TR ETN due September 15, 2061..... | 298 |
| 21. ETRACS 2x Leveraged IFED Invest with the Fed TR Index ETN due September 15, 2061..... | 316 |
| 22. ETRACS IFED Invest with the Fed TR Index ETN due September 15, 2061..... | 334 |
| 23. ETRACS 2x Leveraged US Value Factor TR ETN due February 9, 2051 | 346 |
| 24. ETRACS 2x Leveraged US Growth Factor TR ETN due February 9, 2051..... | 362 |
| 25. ETRACS 2x Leveraged US Size Factor TR ETN due February 9, 2051 | 378 |
| 26. ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN due February 9, 2051 | 394 |
| 27. ETRACS 2x Leveraged MSCI US Quality Factor TR ETN due February 9, 2051 | 409 |
| 28. ETRACS 2x Leveraged US Dividend Factor TR ETN due February 9, 2051 | 425 |
| 29. ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN due February 9, 2051..... | 441 |

Description of the Corporation's Ordinary Shares

The following summary of UBS Group AG's (the "Corporation") ordinary shares is based on and qualified by the Corporations Restated Articles of Association. For a complete description of the terms and provisions of the Company's equity securities, including its common stock, refer to the Articles of Association of which are filed as exhibits to this Annual Report on Form 20-F. Throughout this exhibit, references to "we," "our," "us" and "the Company" refer to the Corporation.

General

At year-end 2022, UBS Group AG had 3,524,635,722 issued shares with a par value of CHF 0.10 each, leading to a share capital of CHF 352,463,572.20. The shares are fully paid up, and there is no liability of shareholders to further capital calls by the company.

The shares rank *pari passu* in all respects with each other, including voting rights, entitlement to dividends, liquidation proceeds in case of the liquidation of the company, subscription or preemptive rights in the event of a share issue (Bezugsrechte) and preemptive rights in the event of the issuance of equity-linked securities (Vorwegzeichnungsrechte).

Following revisions to Swiss Corporate Law that are effective from 1 January 2023, the Board of Directors (the BoD) will propose at the 2023 AGM that the shareholders approve the conversion of the share capital currency of UBS Group AG from the Swiss franc to the US dollar. This would align the share capital currency with the functional currency of UBS Group AG. If the change is approved, the share capital of UBS Group AG will be slightly reduced to a nominal value per share of USD 0.10 (from CHF 0.10 currently), with the amount of the reduction allocated to the capital contribution reserve. If approved, the conversion will be implemented with retroactive effect as of 1 January 2023 for accounting purposes based on the closing exchange rate from 30 December 2022. Total equity reported for UBS Group AG will not change.

Registered shares of the Corporation are in the form of uncertificated securities (in the sense of the Swiss Code of Obligations) and intermediary-held securities (in the sense of the Swiss Federal Intermediated Securities Act). The shares of the Corporation are listed on the NYSE as global registered shares. As such, the shares can be traded and transferred across applicable borders, without the need for conversion, with identical shares traded on different stock exchanges in different currencies. We do not apply any restrictions or limitations on the transferability of shares.

Following a shareholder's registration in the share register, the shareholder may request the Corporation to issue a written statement in respect of his registered shares at any time; however, he has no entitlement to the printing and delivery of share certificates. In contrast, the Corporation may print and deliver share certificates for registered shares (single certificates, certificates representing multiples of shares or global certificates) at any time. It may withdraw registered shares issued as intermediary-held securities from the respective custody system. With the consent of the shareholder, the Corporation may cancel issued certificates which are returned to it without replacement.

Dividend Rights and Dividends

Shareholders are entitled to the dividends or other distributions approved by UBS Group AG's general meeting in proportion to their shareholdings.

Swiss law requires that at least 5% of the annual net profits of a corporation must be retained as statutory retained earnings until these equal, together with the statutory capital reserve, 20% of the corporation's paid-up share capital.

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

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

U.S. registered holders of shares will receive dividend payments in U.S. dollars, unless they provide notice to UBS Group AG's U.S. transfer agent, Computershare, that they wish to receive dividend payments in Swiss francs. The U.S. transfer agent will be responsible for paying the U.S. dollars or Swiss francs to registered holders, and for withholding any required amounts for taxes or other governmental charges. If the U.S. transfer agent determines, after consultation with UBS Group AG, that in its judgment any foreign currency received by it cannot be converted into U.S. dollars or transferred to U.S. holders, it may distribute the foreign currency received by it, or an appropriate document evidencing the right to receive such currency, or in its discretion hold such foreign currency for the accounts of U.S. holders.

Voting Rights

Each share conveys the right to cast one vote. Swiss law distinguishes between registration with and without voting rights. Shareholders must be registered in the share register as shareholders with voting rights in order to vote and participate in general meetings or to assert or exercise other rights related to voting rights. We place no restrictions on share ownership and voting rights. However, pursuant to general principles formulated by the BoD, nominee companies, which normally represent a large number of individual shareholders and may hold an unlimited number of shares, have voting rights limited to a maximum of 5% of all issued UBS Group AG shares.

Resolutions and elections are decided at the General Meeting by a majority of the votes represented, excluding blank and invalid ballots, subject to the Articles of Association and the compulsory provisions of the law. For the approval of certain specific issues, the Swiss Code of Obligations requires a positive vote from a two-thirds majority of the votes represented at the given general meeting, and from a majority of the nominal value of shares represented thereat. Such issues include introducing shares with privileged voting rights, introducing restrictions on the transferability of registered shares, authorizing contingent capital or a capital band and restricting or excluding shareholders' preemptive rights.

A resolution to change Article 19 of the Articles of Association, to remove one fourth or more of the members of the BoD or to delete or modify Article 17 paragraph 2 of the Articles of Association must receive at least two thirds of the votes represented.

Shareholder ownership disclosure

Under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 (the FMIA), anyone directly, indirectly or acting in concert with third parties holding shares in a company listed in Switzerland or holding derivative rights related to shares in such a company directly, indirectly or in concert with third parties must notify the company and the SIX Swiss Exchange (SIX) if the holding reaches, falls below or exceeds one of the following percentage thresholds: 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3% of voting rights, regardless of whether or not such rights may be exercised. Nominee companies that cannot autonomously decide how voting rights are exercised are not required to notify the company and SIX if they reach, exceed or fall below the aforementioned thresholds.

Board of Directors

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

Members whose term of office has expired are immediately eligible for re-election.

Liquidation Rights

In the event of liquidation of UBS Group AG's assets, shareholders are entitled to a proportional share after all debts have been paid.

Repurchase of Shares

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

Preemption Rights

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

Medium-Term Notes, Series A

Description of Debt Securities We May Offer

Please note that in this section entitled “Description of Debt Securities We May Offer,” references to UBS, we, our and us refer only to UBS AG and not to its consolidated subsidiaries. Also, in this section, references to “holders” and “you” mean those who own debt securities registered in their own names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the debt securities should read the section below entitled “Legal Ownership and Book-Entry Issuance.”

References herein to “this prospectus” are deemed to refer to this section “Medium-Term Notes, Series A” and references to “your prospectus supplement” are deemed to refer to the individual description of notes issuances contained below in this exhibit.

The Debt Indenture

As required by U.S. federal law for publicly offered bonds and notes, the debt securities are governed by a document called an indenture. The debt indenture is a contract between us and U.S. Bank Trust National Association, which acts as trustee.

The trustee has two main roles:

- First, the trustee can enforce your rights against us if we default. There are limitations on the extent to which the trustee acts on your behalf, which we describe below under “—Default, Remedies and Waiver of Default.”
- Second, the trustee performs administrative duties for us, such as sending you interest payments and notices.

See “—Our Relationship with the Trustee” below for more information about the trustee.

We May Issue Many Series of Debt Securities Under the Debt Indenture

We may issue as many distinct series of debt securities under the debt indenture as we wish. This section summarizes terms of the debt securities that apply generally to all series. The provisions of the debt indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under the debt indenture, but also to “reopen” a previous issue of a series of debt securities and issue additional debt securities of that series. Most of the financial and other specific terms of your series, will be described in the prospectus supplement accompanying this prospectus. Those terms may vary from the terms described here.

We may issue debt securities separately or together with other debt securities.

As you read this section, please remember that the specific terms of your debt security as described in your prospectus supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between your prospectus supplement and this prospectus, your prospectus supplement will control. Thus, the statements we make in this section may not apply to your debt security.

When we refer to a series of debt securities, we mean a series issued under the debt indenture. When we refer to your prospectus supplement, we mean the prospectus supplement describing the specific terms of the debt security you purchase. The terms used in your prospectus supplement will have the meanings described in this prospectus, unless otherwise specified.

Unless we indicate otherwise in your prospectus supplement, the debt securities we issue to you will be part of the series of debt securities referred to as our “medium-term notes, Series A.” The Series A notes are a single distinct series under the debt indenture, and we may issue Series A notes in such amounts, at such times and on such terms as we wish. The Series A notes will differ from one another, and from any other series, in their terms, but all of the Series A notes together will constitute a single series for all purposes under the debt indenture pursuant to which they will be issued.

Amounts That We May Issue

The debt indenture does not limit the aggregate amount of debt securities that we may issue or the number of series or the aggregate amount of any particular series. We have already issued Series A notes, many of which are currently outstanding. We intend to issue additional Series A notes, and may issue additional Series A notes at any time, without your consent and without notifying you. We may also issue debt securities and other securities at any time without your consent and without notifying you.

The debt indenture and the debt securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the debt securities.

Principal Amount, Stated Maturity and Maturity

The principal amount of a debt security means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a debt security is its face amount.

The term “stated maturity” with respect to any debt security means the day on which the principal amount of your debt security is scheduled to become due. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the debt security. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the “maturity” of the principal.

We also use the terms “stated maturity” and “maturity” to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the “stated maturity” of that installment.

When we refer to the “stated maturity” or the “maturity” of a debt security without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

This Section Is Only a Summary

The debt indenture and its associated documents, including your debt security, contain the full legal text governing the matters described in this section and your prospectus supplement. We have filed a copy of the debt indenture with the SEC as an exhibit to our registration statement. See “Where You Can Find More Information” above for information on how to obtain a copy.

This section and your prospectus supplement summarize all the material terms of the debt indenture and your debt security. They do not, however, describe every aspect of the debt indenture and your debt security. For example, in this section and your prospectus supplement, we use terms that have been given special meaning in the debt indenture, but we describe the meaning of only the more important of those terms.

Governing Law

The debt indenture is, and the debt securities will be, governed by New York law.

Currency of Debt Securities

Amounts that become due and payable on your debt security in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in your prospectus supplement. We refer to this currency, composite currency, basket of currencies or currency unit or units as a “specified currency.” The specified currency for your debt security will be U.S. dollars, unless your prospectus supplement states otherwise. Some debt securities may have different specified currencies for principal and interest. You will have to pay for your debt securities by delivering the requisite amount of the specified currency to UBS Securities LLC, UBS Financial Services Inc. or another firm that we name in your prospectus supplement, unless other arrangements have been made between you and us or you and that firm. We will make payments on your debt securities in the specified currency, except as described below in “—Payment Mechanics for Debt Securities.” See “Considerations Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency” below for more information about risks of investing in this kind of debt securities.

Co-obligation of UBS Switzerland AG

UBS Switzerland AG is fully, unconditionally and irrevocably liable, jointly and severally, with UBS AG, for UBS AG’s obligations under and with respect to the debt securities with respect to the due and punctual payment of the principal of and any premium, interest and other amounts payable on, under or in respect of such securities and the due performance and observance of every covenant of the indenture to be performed or observed by UBS AG with respect to such securities.

The obligations of UBS Switzerland AG as a co-obligor are primary and not merely those of a surety. UBS Switzerland AG waives the right to require holders to proceed first against UBS AG and UBS Switzerland AG shall be subrogated to all rights of the holder of a security of a series against UBS AG in respect of any amounts paid to such holder by it pursuant to the terms of the indenture.

Types of Debt Securities

We may issue any of the three types of debt securities described below. A debt security may have elements of each of the three types of debt securities described below. For example, a debt security may bear interest at a fixed rate for some periods and at a floating rate in others. Similarly, a debt security may provide for a payment of principal at maturity linked to an index and also bear interest at a fixed or floating rate.

Fixed Rate Debt Securities

A debt security of this type will bear interest at a fixed rate described in the applicable prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are instead issued at a price lower than the principal amount. See “—Original Issue Discount Debt Securities” below for more information about zero coupon and other original issue discount debt securities.

Each fixed rate debt security, except any zero coupon debt security, will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a fixed rate debt security at the fixed yearly rate stated in the applicable prospectus supplement, until the principal is paid or made available for payment or the security has been converted or exchanged. Each payment of interest due on an interest payment date or the date of maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the date of maturity. We will compute interest on fixed rate debt securities on the basis of a 360-day year of twelve 30-day months. We will pay interest on each interest payment date and at maturity as described below under “—Payment Mechanics for Debt Securities.”

Floating Rate Debt Securities

Interest Rate Formulas. A debt security of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. If your debt security is a floating rate debt security, the formula and any adjustments that apply to the interest rate will be specified below.

Each floating rate debt security will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a floating rate debt security at the yearly rate determined according to the interest rate formula stated in the applicable prospectus supplement, until the principal is paid or made available for payment. We will pay interest on each interest payment date and at maturity as described below under “—Payment Mechanics for Debt Securities.”

Calculation of Interest. Calculations relating to floating rate debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may include any affiliate of ours, such as UBS Securities LLC. The prospectus supplement for a particular floating rate debt security will name the institution that we have appointed to act as the calculation agent for that debt security as of its original issue date. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change. Absent manifest error, all determinations of the calculation will be final and binding on you and us, without any liability on the part of the calculation agent.

For each floating rate debt security, the calculation agent will determine, on the corresponding interest calculation or determination date, as described in the applicable prospectus supplement, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period—*i.e.*, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the floating rate debt security by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable prospectus supplement.

Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect for that debt security—and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent’s determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, *e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the applicable prospectus supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant floating rate debt securities and its affiliates, and they may include UBS AG or its affiliates.

Indexed Debt Securities

A debt security of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

- securities of one or more issuers;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and/or
- one or more indices or baskets of the items described above.

If you are a holder of an indexed debt security, you may receive an amount at maturity (including upon acceleration following an event of default) that is greater than or less than the face amount of your debt security depending upon the formula used to determine the amount payable and the value of the applicable index at maturity. The value of the applicable index will fluctuate over time.

An indexed debt security may provide either for cash settlement or for physical settlement by delivery of the underlying property or another property of the type listed above. An indexed debt security may also provide that the form of settlement may be determined at our option or at the holder’s option. Some indexed debt securities may be convertible, exercisable or exchangeable, at our option or the holder’s option, into or for securities of an issuer other than UBS AG.

If you purchase an indexed debt security, your prospectus supplement will include information about the relevant index, about how amounts that are to become payable will be determined by reference to the price or value of that index and about the terms on which the security may be settled physically or in cash. The prospectus supplement will also identify the calculation agent that will calculate the amounts payable with respect to the indexed debt security and may exercise significant discretion in doing so. The calculation agent may be UBS Securities LLC or another of our affiliates. See “Considerations Relating to Indexed Securities” for more information about risks of investing in debt securities of this type.

Original Issue Discount Debt Securities

A fixed rate debt security, a floating rate debt security or an indexed debt security may be an original issue discount debt security. A debt security of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount debt security may be a zero coupon debt security. A debt security issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount debt security, regardless of the amount payable upon redemption or acceleration of maturity. See “U.S. Tax Considerations—Taxation of Debt Securities— Original Issue Discount” below for a brief description of the U.S. federal income tax consequences of owning an original issue discount debt security.

Information in Your Prospectus Supplement

Your prospectus supplement will describe the specific terms of your debt security, which will include some or all of the following:

- any limit on the total principal amount of the debt securities of the same series;
- the stated maturity;
- the specified currency or currencies for principal and interest, if not U.S. dollars;
- the price at which we originally issue your debt security, expressed as a percentage of the principal amount, and the original issue date;
- whether your debt security is a fixed rate debt security, a floating rate debt security or an indexed debt security;
- if your debt security is a fixed rate debt security, the yearly rate at which your debt security will bear interest, if any, and the interest payment dates;
- if your debt security is a floating rate debt security, the interest rate basis; any applicable index currency or maturity, spread or spread multiplier or initial base rate, maximum rate or minimum rate; the interest reset, determination, calculation and payment dates; the day count used to calculate interest payments for any period; the business day convention; and the calculation agent;
- if your debt security is an indexed debt security, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and the terms on which your debt security will be exchangeable for or payable in cash, securities or other property;
- if your debt security may be converted into or exercised or exchanged for debt or equity securities of one or more third parties, the terms on which conversion, exercise or exchange may occur, including whether conversion, exercise or exchange is mandatory, at the option of the holder or at our option, the period during which conversion, exercise or exchange may occur, the initial conversion, exercise or exchange price or rate and the circumstances or manner in which the amount of securities issuable upon conversion, exercise or exchange may be adjusted;
- if your debt security is also an original issue discount debt security, the yield to maturity;
- if applicable, the circumstances under which your debt security may be redeemed at our option or repaid at the holder’s option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s);
- the authorized denominations, if other than \$1,000 and integral multiples of \$1,000;
- the depository for your debt security, if other than DTC, and any circumstances under which the holder may request securities in non-global form, if we choose not to issue your debt security in book-entry form only;
- if your debt security will be issued in bearer form, any special provisions relating to bearer securities;
- if applicable, the circumstances under which we will pay additional amounts on any debt securities held by a person who is not a United States person for tax purposes and under which we can redeem the debt securities if we have to pay additional amounts;
- the names and duties of any co-trustees, depositories, authenticating agents, paying agents, transfer agents or registrars for your debt security, as applicable; and
- any other terms of your debt security, which could be different from those described in this prospectus.

If you purchase your debt security—or any of our other securities we describe in this prospectus—in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which we, UBS Securities LLC, UBS Financial Services Inc. or another of our affiliates resells a security that it has previously acquired from another holder. A market-making transaction in a particular security occurs after the original issuance and sale of the security.

Extension of Maturity

If specified in the applicable prospectus supplement, we will have the option to extend the stated maturity of your debt security for one or more periods of whole years up to but not beyond the final maturity date specified in the prospectus supplement. We call a debt security whose maturity we may extend an extendible debt security. We call the period of time as to which we may extend the maturity the extension period. The following procedures will apply to extendible debt securities, unless otherwise indicated in the applicable prospectus supplement.

We may extend the maturity of an extendible debt security by notifying the paying agent between 45 and 60 days before the stated maturity then in effect. The stated maturity may be the original stated maturity, as described in the prospectus supplement, or a maturity that we previously extended by following these procedures. If we notify the paying agent that we will extend the maturity, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed upon between us and the paying agent, at least 30 days before the stated maturity then in effect. The notice sent by the paying agent will provide the following information:

- our election to extend the maturity of the extendible debt security;
- the extended maturity date or, if the maturity date had previously been extended, the new extended maturity date;
- the interest rate that will apply during the extension period or, in the case of a floating rate debt security, the spread and/or spread multiplier, if any, applicable during the extension period; and
- the provisions, if any, for redemption and repayment during the extension period.

Once the paying agent has mailed the notice to each holder, the extension of the maturity date will take place automatically. All of the terms of the debt security will be the same as the terms of the debt security as originally issued, except those terms that are described in the notice sent by the paying agent to each holder and except as described in the following paragraph.

Not later than 10:00 a.m., New York City time, on the twentieth calendar day before the maturity date then in effect for an extendible debt security or, if that day is not a business day, on the next succeeding business day, we may revoke the interest rate set forth in the extension notice sent by the paying agent to each holder and establish a higher interest rate for the extension period. If we elect to establish a higher interest rate, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed between us and the paying agent, of the higher interest rate in the case of a floating rate debt security, the higher spread and/or spread multiplier, if any. The notice of the higher rate cannot be revoked. All extendible debt securities as to which the maturity date has been extended will bear the higher rate for the extension period, whether or not tendered for repayment.

If we elect to extend the maturity date of an extendible debt security, each holder may elect repayment of all or part of its debt security on the maturity date then in effect at a price equal to the principal amount plus any accrued and unpaid interest to that date. To elect repayment, a holder must give notice to the paying agent between 25 and 35 days before the maturity date in effect. The notice must consist of either:

- the debt security along with the completed form entitled “Option to Elect Repayment,” which will be attached to your debt security.
- a telegram, facsimile transmission or letter from a member of a national securities exchange, the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder, the principal amount of the debt security, the principal amount of the debt security to be repaid, the certificate number or a description of the tenor and terms of the debt security, a statement that the option to elect repayment is being elected and a guarantee that the debt security, together with the completed form entitled “Option to Elect Repayment” will be received by the paying agent no later than the fifth business day after the date of the telegram, facsimile transmission or letter. The telegram, facsimile transmission or letter will become effective upon receipt, by that fifth business day, of the debt security and complete form.

The holder may revoke the election of repayment by sending to the paying agent written notice by 3:00 p.m., New York City time, on the twentieth day before the maturity date then in effect or, if that day is not a business day, on the next succeeding business day.

If an extendible debt security is represented by a global debt security, the depositary or its nominee, as the holder, will be the only person that can exercise the right to elect repayment or revoke such an election. Any indirect owners who own beneficial interests in the global debt security and wish to make such an election must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depositary to make a repayment election or revoke such an election on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Redemption and Repayment

Unless otherwise indicated in your prospectus supplement, your debt security will not be entitled to the benefit of any sinking fund—that is, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, we will not be entitled to redeem your debt security before its stated maturity (except for certain tax reasons, as described below) unless your prospectus supplement specifies a redemption date or redemption commencement date. You will not be entitled to require us to buy your debt security from you, before its stated maturity, unless your prospectus supplement specifies one or more repayment dates.

If your prospectus supplement specifies one or more redemption dates, a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your debt security. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities during those periods will apply.

If your prospectus supplement specifies one or more redemption dates, your debt security will be redeemable at our option on any of those dates. If your prospectus supplement specifies a redemption commencement date, your debt security will be redeemable at our option at any time on or after that date. If we redeem your debt security, we will do so at the specified redemption price. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed.

If your prospectus supplement specifies a repayment date, your debt security will be repayable at your option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

If we exercise an option to redeem any debt security, we will give the trustee and the holders written notice of the principal amount of the debt security to be redeemed, not less than 5 business days nor more than 60 days before the applicable redemption date unless otherwise specified in your prospectus supplement. We will give the notice in the manner described below in “—Notices.”

If a debt security represented by a global debt security is subject to repayment at the holder’s option, the depository or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect holders who own beneficial interests in the global debt security and wish to exercise a repayment right must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depository to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depository before the applicable deadline for exercise.

Street name and other indirect holders should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, at our discretion, be held, resold or cancelled.

Optional Tax Redemption

In addition to the situations described above under “—Redemption and Repayment,” we also have the option to redeem the debt securities in two situations described below, unless otherwise indicated in your prospectus supplement. The redemption price for the debt securities, other than original issue discount debt securities, will be equal to the principal amount of the debt securities being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. The redemption price for original issue discount debt securities will be specified below. Furthermore, we must give you between 10 and 60 days’ notice before redeeming the debt securities unless otherwise specified in your prospectus supplement.

- The first situation is where, as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties, we would be required to pay additional amounts as described below under “—Payment of Additional Amounts.”

This applies only in the case of changes, executions, amendments, applications or interpretations that occur on or after the date specified in the prospectus supplement for the applicable debt securities and in a relevant jurisdiction, as defined in “—Payment of Additional Amounts” below. If UBS is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which the successor entity is organized, and the applicable date will be the date the entity became a successor.

We would not have the option to redeem in this case if we could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to us.

- The second situation is where a person located outside of a relevant jurisdiction into which UBS is merged or to whom it has conveyed, transferred or leased its property is required to pay an additional amount. We would have the option to redeem the debt securities even if we are required to pay additional amounts immediately after the merger, conveyance, transfer or lease. We are not required to use reasonable measures to avoid the obligation to pay additional amounts in this situation.

Payment of Additional Amounts

A relevant jurisdiction may require UBS to withhold amounts from payments on the principal or interest on a debt security for taxes or any other governmental charges. If the relevant jurisdiction requires a withholding of this type, UBS may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the debt security to which you are entitled.

By relevant jurisdiction, we mean Switzerland or a jurisdiction in which the UBS branch through which debt securities are issued is located. UBS will not have to pay additional amounts in respect of taxes or other governmental charges that are required to be deducted or withheld by any paying agent from a payment on a debt security, if such payment can be made without such deduction or withholding by any other paying agent, or in respect of taxes or other governmental charges that would not have been imposed but for

- the existence of any present or former connection between you and the relevant jurisdiction, other than the mere holding of the debt security and the receipt of payments on it;
- any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, duty, assessment or governmental charge;
- a failure to comply with any reasonable certification, documentation, information or other reporting requirement concerning your nationality, residence, identity or connection with the relevant jurisdiction, if such compliance is required as a precondition to relief or exemption from such taxes or other governmental charges (including, without limitation, a certification that you are not resident in the relevant jurisdiction or are not an individual resident of a member state of the European Union);
- any taxes which would not have been imposed but for your presentation, or a presentation on your behalf, of a debt security payment on a date more than 15 days after the date on which such payment on the debt security becomes due and payable or on which the payment is duly provided for, whichever occurs later; or
- any combination of the items listed above.

In addition, no additional amounts will be required to be paid on account of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (as defined below under “U.S. Tax Considerations”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to UBS is organized. The prospectus supplement relating to the debt security may describe additional circumstances in which UBS would not be required to pay additional amounts.

Mergers and Similar Transactions

We are generally permitted to merge or consolidate with another firm. We are also permitted to sell our assets substantially as an entirety to another firm. With regard to any series of debt securities, we may not take any of these actions, however, unless all the following conditions are met:

- If the successor firm in the transaction is not UBS, the successor firm must be organized as a corporation, partnership or trust and must expressly assume our obligations under the debt securities of that series and the debt indenture. The successor firm must be organized under the laws of Switzerland.
- Immediately after the transaction, no default under the debt securities of that series has occurred and is continuing. For this purpose, “default under the debt securities of that series” means an event of default with respect to that series or any event that would be an event of default with respect to that series if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. We describe these matters below under “—Default, Remedies and Waiver of Default.”

If the conditions described above are satisfied with respect to the debt securities of any series, we will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another firm or sell our assets substantially as an entirety to another firm. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another firm, any transaction that involves a change of control of UBS but in which we do not merge or consolidate and any transaction in which we sell less than substantially all our assets.

Also, if we merge, consolidate or sell our assets substantially as an entirety and the successor firm is a non-Swiss entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences to the debt securities.

Defeasance and Covenant Defeasance

If indicated in the applicable prospectus supplement for a debt security, the provisions for full defeasance and covenant defeasance described below will apply to that debt security. In general, we expect these provisions to apply to each debt security that has a specified currency of U.S. dollars and is not a floating rate or indexed debt security.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on your debt security. This is called full defeasance. To do so, each of the following must occur:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants, generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.

- There must be a change in current U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders to be taxed on those debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. Under current federal tax law, the deposit and our legal release from your debt securities would be treated as though we took back your debt security and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on your debt security.
- We must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above.

If we ever fully defease your debt security, you would have to rely solely on the trust deposit for payments on your debt security. You would not be able to look to us for payment in the event of any shortfall.

Covenant Defeasance

Under current U.S. federal tax law, we can make the same type of deposit described above and be released from any restrictive covenants relating to your debt security that may be described in your prospectus supplement. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any debt securities, we must do both of the following:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants, generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.
- We must deliver to the trustee a legal opinion of our counsel confirming that under U.S. federal income tax law as then in effect we may make the above deposit without causing you to be taxed on those debt securities any differently than if we did not make the deposit and just repaid those debt securities ourselves.

If we accomplish covenant defeasance with regard to your debt security, the following provisions of the debt indenture and your debt security would no longer apply:

- Any covenants that your prospectus supplement may state are applicable to your debt security; and
- The events of default resulting from a breach of covenants, described below in the fourth bullet point under “—Default, Remedies and Waiver of Default—Events of Default.”

Any right we have to redeem will survive covenant defeasance with regard to those debt securities.

If we accomplish covenant defeasance on your debt security, you can still look to us for repayment of your debt security in the event of any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your debt security became immediately due and payable, there may be a shortfall. Depending on the event causing the default you may not be able to obtain payment of the shortfall.

Default, Remedies and Waiver of Default

You will have special rights if an event of default with respect to your series of debt securities occurs and is not cured, as described in this subsection.

Events of Default

Unless your prospectus supplement says otherwise, when we refer to an event of default with respect to any series of debt securities, we mean any of the following:

- We do not pay the principal or any premium (including delivering any security or other property deliverable) on any debt security of that series at its maturity;
- We do not pay interest on any debt securities of that series within 30 days after it becomes due and payable;
- We do not deposit a sinking fund payment with regard to any debt securities of that series on its due date, but only if the payment is required in the applicable prospectus supplement;
- We remain in breach of any other covenant we make in the debt indenture for the benefit of the debt securities of that series, for 60 days after we receive a notice of default stating that we are in breach and requiring us to remedy the breach. The notice must be sent by the trustee or the holders of not less than 10% in principal amount of the relevant series of debt securities then outstanding;
- We file for bankruptcy or certain other bankruptcy, insolvency or reorganization events relating to UBS occur; or
- If the applicable prospectus supplement states that any additional event of default applies to your series, that event of default occurs.

Remedies If an Event of Default Occurs

If an event of default has occurred with respect to any series of debt securities and has not been cured or waived, the trustee or the holders of not less than 25% in principal amount of all debt securities of that series then outstanding may declare the entire principal amount of the debt securities of that series to be due immediately. If an event of default occurs because of bankruptcy, insolvency or reorganization events relating to UBS, the entire principal amount of the debt securities of that series will be automatically accelerated, without any action by the trustee or any holder.

Each of the situations described above is called an acceleration of the maturity of the affected series of debt securities. If the maturity of any series is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in principal amount of the debt securities of that series may cancel the acceleration for the entire series.

If an event of default occurs, the trustee will have special duties. The trustee will be obligated to use those of its rights and powers under the debt indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the debt indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an indemnity. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of all debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee with respect to that series. These majority holders may also direct the trustee in performing any other action under the debt indenture with respect to the debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to any debt security, all of the following must occur:

- The holder of your debt security must give the trustee written notice that an event of default has occurred, and the event of default must not have been cured or waived.
- The holders of not less than 25% in principal amount of all debt securities of your series must make a written request that the trustee take action because of the default, and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after the above steps have been taken.
- During those 60 days, the holders of a majority in principal amount of the debt securities of your series must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of all debt securities of your series.

You are, however, entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date.

Waiver of Default

The holders of not less than a majority in principal amount of the debt securities of any series may waive a default for all debt securities of that series. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your debt security, however, without the approval of the particular holder of that debt security.

We Will Give the Trustee Information About Defaults Annually

We will furnish to the trustee every year a written statement of two of our officers certifying that to their knowledge we are in compliance with the debt indenture and the debt securities, or else specifying any default under the debt indenture.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity of the debt securities. Book-entry and other indirect owners are described below under “Legal Ownership and Book-Entry Issuance.”

Modification and Waiver of Covenants

There are three types of changes we can make to the debt indenture and the debt securities of any series.

Changes Requiring Each Holder's Approval

First, there are changes that cannot be made without the approval of each holder of a debt security affected by the change. Here is a list of those types of changes:

- change the stated maturity for any principal or interest payment on a debt security;
- reduce the principal amount, the amount payable on acceleration of the maturity after a default, the interest rate or the redemption price for a debt security;
- permit redemption of a debt security if not previously permitted;
- impair any right a holder may have to require repayment of his or her debt security;
- impair any right that a holder of an indexed or any other debt security may have to exchange or convert the debt security for or into securities or other property;
- change the currency of any payment on a debt security other than as permitted by the debt security;
- change the place of payment on a debt security, if it is in non-global form;
- impair a holder's right to sue for payment of any amount due on his or her debt security;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the approval of whose holders is needed to change the debt indenture or those debt securities;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the consent of whose holders is needed to waive our compliance with the debt indenture or to waive defaults; and
- change the provisions of the debt indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to above or to add to the provisions that cannot be changed or waived without approval of the holder of each affected debt security.

Changes Not Requiring Approval of Holders

The second type of change does not require any approval by holders of the debt securities of an affected series. This type of change is limited to clarifications and changes that would not adversely affect the debt securities of that series in any material respect. We also do not need any approval to make changes that affect only debt securities to be issued under the debt indenture after the changes take effect.

We may also make changes or obtain waivers that do not adversely affect a particular debt security, even if they affect other debt securities. In those cases, we do not need to obtain the approval of the holder of the unaffected debt security; we need only obtain any required approvals from the holders of the affected debt securities.

Changes Requiring Majority Approval

Any other change to the debt indenture and the debt securities would require the following approval:

- If the change affects only the debt securities of a particular series, it must be approved by the holders of 66⅔% in principal amount of the debt securities of that series.
- If the change affects the debt securities of more than one series of debt securities issued under the debt indenture, it must be approved by the holders of 66⅔% in principal amount of all series affected by the change, with the debt securities of all the affected series voting together as one class for this purpose (and of any affected series that by its terms is entitled to vote separately as a series, as described below).

In each case, the required approval must be given by written consent.

Majority approval would be required for us to obtain a waiver of any of our covenants in the debt indenture. Our covenants include the promises we make about merging, which we describe above under “—Mergers and Similar Transactions.” If the holders approve a waiver of a covenant, we will not have to comply with that covenant. The holders, however, cannot approve a waiver of any provision in a particular debt security, or in the debt indenture as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described above under “—Changes Requiring Each Holder’s Approval,” unless that holder approves the waiver.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the debt indenture or the debt securities or request a waiver.

Special Rules for Action by Holders

When holders take any action under the debt indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, we will apply the following rules.

Only Outstanding Debt Securities Are Eligible

Only holders of outstanding debt securities of the applicable series will be eligible to participate in any action by holders of debt securities of that series. Also, we will count only outstanding debt securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a debt security will not be “outstanding”:

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its holder, money for its payment or redemption;
- if we have fully defeased it as described above under “—Defeasance and Covenant Defeasance—Full Defeasance”; or
- if we or one of our affiliates, such as UBS Securities LLC or UBS Financial Services Inc., is the beneficial owner.

Special Series Voting Rights

We may issue series of debt securities that are entitled, by their terms, to vote separately on matters (for example, modification or waiver of provisions in the debt indenture) that would otherwise require a vote of all affected series, voting together as a single class. Any such series would be entitled to vote together with all other affected series, voting together as one class, and would also be entitled to vote separately, as a series only. These special voting rights will be described in the applicable prospectus supplement. For a series that does not have these special rights, voting will occur as described in the preceding section, but subject to any separate voting rights of any series having special rights. We may issue a series having these or other special voting rights without obtaining the consent of or giving notice to holders of outstanding series.

Eligible Principal Amount of Some Debt Securities

In some situations, we may follow special rules in calculating the principal amount of a debt security that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency, increases over time or is not to be fixed until maturity. For any debt security of the kind described below, we will decide how much principal amount to attribute to the debt security as follows:

- For an original issue discount debt security, we will use the principal amount that would be due and payable on the action date if the maturity of the debt security were accelerated to that date because of a default.
- For a debt security whose principal amount is not known, we will use any amount that we indicate in the prospectus supplement for that debt security. The principal amount of a debt security may not be known, for example, because it is based on an index that changes from time to time and the principal amount is not to be determined until a later date.
- For debt securities with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, we will use the U.S. dollar equivalent, which we will determine.

Determining Record Dates for Action by Holders

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the debt indenture. In certain limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global debt security may be set in accordance with procedures established by the depository from time to time. Accordingly, record dates for global debt securities may differ from those for other debt securities.

Form, Exchange and Transfer of Debt Securities

We will issue each debt security in global—*i.e.*, book-entry—form only, unless we specify otherwise in the applicable prospectus supplement. Debt securities in book-entry form will be represented by a global security registered in the name of a depository, which will be the holder of all the debt securities represented by the global security. Those who own beneficial interests in a global debt security will do so through participants in the depository's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depository and its participants. We describe book-entry securities below under "Legal Ownership and Book-Entry Issuance." Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities in global form.

In addition, we will generally issue each debt security in registered form, without coupons, unless we specify otherwise in the applicable prospectus supplement. If we issue a debt security in bearer form, the applicable prospectus supplement will describe the provisions that would apply to that security.

If a debt security is issued as a global debt security, only the depository—*e.g.*, DTC, Euroclear and Clearstream—will be entitled to transfer and exchange the debt security or exercise any other rights of a holder as described in this subsection, since the depository will be the sole holder of the debt security.

If any debt securities cease to be issued in global form, then unless we indicate otherwise in your prospectus supplement, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise in your prospectus supplement, in denominations of \$1,000 and integral multiples of \$1,000.

Holders may exchange their debt securities for debt securities of smaller denominations (subject to the limit above) or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. You may not exchange your debt securities for securities of a different series or having different terms, unless your prospectus supplement says you may.

Holders may exchange or transfer their debt securities at the office of the trustee. They may also replace lost, stolen, destroyed or mutilated debt securities at that office. We have appointed the trustee to act as our agent for registering debt securities in the names of holders and transferring and replacing debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their debt securities, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any debt securities.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the debt securities of any series are redeemable and we redeem less than all those debt securities, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing or during any other period specified in the applicable prospectus supplement, in order to freeze the list of holders who will receive the mailing. We may also refuse to register transfers of or exchange any debt security selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

The rules for exchange described above apply to exchanges of debt securities for other debt securities of the same series and kind. If a debt security is convertible, exercisable or exchangeable into or for a different kind of security, such as one that we have not issued, or for other property, the rules governing that type of conversion, exercise or exchange will be described in the applicable prospectus supplement.

Payment Mechanics for Debt Securities

Who Receives Payments?

If interest is due on a debt security on an interest payment date, we will pay the interest to the person in whose name the debt security is registered at the close of business on the regular record date described below relating to the interest payment date. If interest is due at maturity but on a day that is not an interest payment date, we will pay the interest to the person entitled to receive the principal of the debt security. If principal or another amount besides interest is due on a debt security at maturity, we will pay the amount to the holder of the debt security against surrender of the debt security at a proper place of payment (or, in the case of a global debt security, in accordance with the applicable policies of the depository).

Payment Dates and Regular Record Dates for Interest

Unless we specify otherwise in the applicable prospectus supplement, interest on any fixed rate debt security will be payable semiannually each May 15 and November 15 and at maturity, and the regular record date relating to an interest payment date for any fixed rate debt security will be the May 1 or November 1 next preceding that interest payment date. The regular record date relating to an interest payment date for any floating rate debt security will be the 15th calendar day before that interest payment date. These record dates will apply whether or not a particular record date is a business day. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

The term “business day” means, for any debt security, a day that meets all the following applicable requirements:

- for all debt securities, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close and that satisfies any other criteria specified in your prospectus supplement;
- if the debt security is a floating rate debt security whose interest rate is based on LIBOR, is also a day on which dealings in the relevant index currency specified in the applicable prospectus supplement are transacted in the London interbank market;
- if the debt security is a floating rate debt security whose interest rate is based on SOFR, is also any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;
- if the debt security has a specified currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the specified currency;
- if the debt security either is a floating rate debt security whose interest rate is based on EURIBOR or has a specified currency of euros, is also a day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) System, or any successor system, is open for business;
- if the debt security is held through Euroclear, is also not a day on which banking institutions in Brussels, Belgium are generally authorized or obligated by law, regulation or executive order to close; and
- if the debt security is held through Clearstream, is also not a day on which banking institutions in Luxembourg are generally authorized or obligated by law, regulation or executive order to close.

How We Will Make Payments Due in U.S. Dollars

We will follow the practices described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

Payments on Global Debt Securities. We will make payments on a global debt security in accordance with the applicable policies of the depository as in effect from time to time. Under those policies, we will pay directly to the depository, or its nominee, and not to any indirect owners who own beneficial interests in the global debt security. An indirect owner’s right to receive those payments will be governed by the rules and practices of the depository and its participants, as described under “Legal Ownership and Book-Entry Issuance—What Is a Global Security?”

Payments on Non-Global Debt Securities. We will make payments on a debt security in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee’s records as of the close of business on the regular record date. We will make all other payments by check at the paying agent described below, against surrender of the debt security. All payments by check will be made in next-day funds—that is, in funds that become available on the day after the check is cashed.

Alternatively, if a non-global debt security has a face amount of at least \$1,000,000 and the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire payment, the holder must give the paying agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the debt security is surrendered to the paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their debt securities.

How We Will Make Payments Due in Other Currencies

We will follow the practices described in this subsection when paying amounts that are due in a specified currency other than U.S. dollars.

Payments on Global Debt Securities. We will make payments on a global debt security in accordance with the applicable policies of the depositary as in effect from time to time. We understand that these policies, as currently in effect at DTC, are as follows:

Unless otherwise indicated in your prospectus supplement, if you are an indirect owner of global debt securities denominated in a specified currency other than U.S. dollars and if you have the right to elect to receive payments in that other currency and you do make that election, you must notify the participant through which your interest in the global debt security is held of your election:

- on or before the applicable regular record date, in the case of a payment of interest, or
- on or before the 16th day prior to stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

You may elect to receive all or only a portion of any interest, principal or premium payment in a specified currency other than U.S. dollars.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that regular record date, in the case of a payment of interest, and on or before the 12th DTC business day prior to stated maturity, or on the redemption or repayment date if your debt security is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the paying agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the paying agent, on or before the dates noted above, the paying agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by you or your participant with a bank located in the country issuing the specified currency or in another jurisdiction acceptable to us and the paying agent.

If the foregoing steps are not properly completed, we expect DTC to inform the paying agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under "— Conversion to U.S. Dollars." We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Book-entry and other indirect holders of a global debt security denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the specified currency.

Payments on Non-Global Debt Securities. Except as described in the second to last paragraph under this heading, we will make payments on debt securities in non-global form in the applicable specified currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable specified currency at a bank designated by the holder and is acceptable to us and the trustee. To designate an account for wire payment, the holder must give the paying agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the regular record date. In the case of any other payment, the payment will be made only after the debt security is surrendered to the paying agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, we will notify the holder at the address in the trustee's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the debt indenture as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a debt security in non-global form may be due in a specified currency other than U.S. dollars, we will make the payment in U.S. dollars if the holder asks us to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the trustee at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person who is the holder on the regular record date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Indirect owners of a non-global debt security with a specified currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the specified currency or in U.S. dollars.

Conversion to U.S. Dollars. When we are asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a global debt security or a non-global debt security as described above, we will determine the U.S. dollar amount the holder receives as follows. The exchange rate agent described below will request currency bid quotations expressed in U.S. dollars from three or, if three are not available, then two, recognized foreign exchange dealers in New York City, any of which may be the exchange rate agent, which may be UBS Securities LLC, an affiliate of UBS, as of 11:00 A.M., New York City time, on the second business day before the payment date. Currency bid quotations will be requested on an aggregate basis, for all holders of debt securities requesting U.S. dollar payments of amounts due on the same date in the same specified currency. The U.S. dollar amount the holder receives will be based on the highest acceptable currency bid quotation received by the exchange rate agent. If the exchange rate agent determines that at least two acceptable currency bid quotations are not available on that second business day, the payment will be made in the specified currency.

To be acceptable, a quotation must be given as of 11:00 A.M., New York City time, on the second business day before the due date and the quoting dealer must commit to execute a contract at the quotation in the total amount due in that currency on all series of debt securities. If some but not all of the relevant debt securities are LIBOR debt securities, SOFR debt securities or EURIBOR debt securities, the second preceding business day will be determined for this purpose as if none of those debt securities were LIBOR debt securities, SOFR debt securities or EURIBOR debt securities.

A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

When the Specified Currency Is Not Available. If we are obligated to make any payment in a specified currency other than U.S. dollars, and the specified currency or any successor currency is not available to us or cannot be paid to you due to circumstances beyond our control—such as the imposition of exchange controls or a disruption in the currency markets—we will be entitled to satisfy our obligation to make the payment in that specified currency by making the payment in U.S. dollars, on the basis specified in the applicable prospectus supplement.

For a specified currency other than U.S. dollars, the exchange rate will be the noon buying rate for cable transfers of the specified currency in New York City as quoted by the Federal Reserve Bank of New York on the then-most recent day on which that bank has quoted that rate.

The foregoing will apply to any debt security, whether in global or non-global form, and to any payment, including a payment at maturity. Any payment made under the circumstances and in a manner described above will not result in a default under any debt security or the debt indenture.

Exchange Rate Agent. If we issue a debt security in a specified currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the debt security is originally issued in the applicable prospectus supplement. We may select UBS Securities LLC or another of our affiliates to perform this role. We may change the exchange rate agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be at its sole discretion unless we state in your prospectus supplement that any determination is subject to our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Unless specified otherwise in the applicable prospectus supplement, payments postponed to the next business day in this situation will be treated under the debt indenture as if they were made on the original due date. Postponement of this kind will not result in a default under any debt security or the debt indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day. The term business day has a special meaning, which we describe above under “—Payment Dates and Regular Record Dates for Interest.”

Paying Agent

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices debt securities in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a paying agent. We may add, replace or terminate paying agents from time to time. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as the paying agent. We must notify the trustee of changes in the paying agents.

Settlement Mechanics

The settlement mechanics applicable to debt securities calling for physical settlement will be described in the applicable prospectus supplement.

Unclaimed Payments

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or anyone else.

Notices

Notices to be given to holders of a global debt security will be given only to the depository, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of debt securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive notices.

Our Relationship with the Trustee

U.S. Bank Trust National Association has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, U.S. Bank Trust National Association holds debt securities issued by us and serves as trustee or agent with regard to other obligations of UBS or its subsidiaries.

U.S. Bank Trust National Association is serving as the trustee for the debt securities and the warrants issued under our warrant indenture. Consequently, if an actual or potential event of default occurs with respect to any of these securities, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or more of the indentures, and we would be required to appoint a successor trustee. For this purpose, a "potential" event of default means an event that would be an event of default if the requirements for giving us default notice or for the default having to exist for a specific period of time were disregarded.

Legal Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to registered securities issued in global—i.e., book-entry—form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

Who is The Legal Owner of a Registered Security?

Each debt security or warrant in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. We refer to those who have securities registered in their own names, on the books that we or the trustee, warrant agent or other agent maintain for this purpose, as the "holders" of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners

We will issue each security in book-entry form only. This means securities will be represented by one or more global securities registered in the name of a financial institution that holds them as depository on behalf of other financial institutions that participate in the depository's book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under each indenture or warrant agreement, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for securities issued in global form, we will recognize only the depository as the holder of the securities and we will make all payments on the securities, including deliveries of any property other than cash, to the depository. The depository passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depository and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depository's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect owners, and not holders, of the securities.

Street Name Owners

In the future we may terminate a global security or issue securities initially in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

Legal Holders

Our obligations, as well as the obligations of the trustee and the obligations, if any, of any warrant agents and any other third parties employed by us, the trustee or any of those agents, run only to the holders of the securities. We do not have obligations to investors who hold indirect interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the indenture for a series of debt securities or warrants or the warrant agreement for a series of warrants or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the indenture—we would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to “you” in this prospectus, we mean those who invest in the securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to “your securities” in this prospectus, we mean the securities in which you will hold a direct or indirect interest.

Special Considerations for Indirect Owners

If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell warrant property under a warrant or to exchange or convert a security for or into other property;
- how it would handle a request for the holders’ consent, if ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;
- how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the securities are in book-entry form, how the depository’s rules and procedures will affect these matters.

What Is a Global Security?

We will issue each security in book-entry form only. Each security issued in book-entry form will be represented by a global security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any security for this purpose is called the “depository” for that security. A security will usually have only one depository but it may have more.

Each series of securities will have one or more of the following as the depositories:

- The Depository Trust Company, New York, New York, which is known as “DTC”;
- a financial institution holding the securities on behalf of Morgan Guaranty Trust Company of New York, acting out of its Brussels, Belgium, office, as operator of the Euroclear system, which is known as “Euroclear”;
- a financial institution holding the securities on behalf of Clearstream Banking, société anonyme, which is known as “Clearstream”; and

- any other clearing system or financial institution named in the applicable prospectus supplement. The depositaries named above may also be participants in one another's systems. Thus, for example, if DTC is the depositary for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants.

The depositary or depositaries for your securities will be named in your prospectus supplement; if none is named, the depositary will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. Your prospectus supplement will not indicate whether your securities are represented by a master global security.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under “—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated.” As a result of these arrangements, the depositary, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect owner of an interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under “—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated.” If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depositary and those of the investor's financial institution or other intermediary through which it holds its interest (such as Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of securities and instead deal only with the depositary that holds the global security. If securities are issued only in the form of a global security, an investor should be aware of the following:

- An investor cannot require the securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below.
- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above under “—Who Is the Legal Owner of a Registered Security?”
- An investor may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.
- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.
- The depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global security, and those policies may change from time to time. We, the trustee and any warrant agents will have no responsibility for any aspect of the depositary's policies, actions or records of ownership interests in a global security. We, the trustee and any warrant agents also do not supervise the depositary in any way.
- The depositary will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well.

- Financial institutions that participate in the depositary's book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated

If we issue any series of securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner's bank, broker or other financial institution through which that owner holds its beneficial interest in the securities. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the securities it represented. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under "—Who Is the Legal Owner of a Registered Security?"

The special situations for termination of a global security are as follows:

- if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days; or
- in the case of a global security representing debt securities or warrants issued under an indenture, if an event of default has occurred with regard to these debt securities or warrants and has not been cured or waived.

If a global security is terminated, only the depositary, and not we, the trustee for any debt securities or warrants or the warrant agent for any warrants, is responsible for deciding the names of the institutions in whose names the securities represented by the global security will be registered and, therefore, who will be the holders of those securities.

Considerations Relating to Euroclear and Clearstream

Euroclear and Clearstream are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream may be depositaries for a global security. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream may hold interests in the global security as participants in DTC.

As long as any global security is held by Euroclear or Clearstream as depositary, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC's rules and procedures.

Special Timing Considerations for Transactions in Euroclear and Clearstream

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

Medium-Term Notes, Series B

Description of Debt Securities We May Offer

Please note that in this section entitled “Description of Debt Securities We May Offer,” references to UBS, we, our and us refer only to UBS AG and not to its consolidated subsidiaries. In particular, the debt securities are obligations solely of UBS AG, and not of any of its subsidiaries, including, without limitation, UBS Switzerland AG. Also, in this section, references to “holders” and “you” mean those who own debt securities registered in their own names on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in debt securities registered in street name or in debt securities issued in book-entry form through one or more depositaries. Owners of beneficial interests in the debt securities should read the section below entitled “Legal Ownership and Book-Entry Issuance.”

References herein to “this prospectus” are deemed to refer to this section “Medium-Term Notes, Series B” and references to “your prospectus supplement” are deemed to refer to the individual description of notes issuances contained below in this exhibit.

The Debt Indenture

As required by U.S. federal law for publicly offered bonds and notes, the debt securities are governed by a document called an indenture. The debt indenture is a contract between us and U.S. Bank Trust National Association, which acts as trustee.

The trustee has two main roles:

- First, the trustee can enforce your rights against us if we default. There are limitations on the extent to which the trustee acts on your behalf, which we describe below under “—Default, Remedies and Waiver of Default.”
- Second, the trustee performs administrative duties for us, such as sending you interest payments and notices.

See “—Our Relationship with the Trustee” below for more information about the trustee.

We May Issue Many Series of Debt Securities Under the Debt Indenture

We may issue as many distinct series of debt securities under the debt indenture as we wish. This section summarizes terms of the debt securities that apply generally to all series. The provisions of the debt indenture allow us not only to issue debt securities with terms different from those of debt securities previously issued under the debt indenture, but also to “reopen” a previous issue of a series of debt securities and issue additional debt securities of that series. Most of the financial and other specific terms of your series, will be described in the prospectus supplement accompanying this prospectus. Those terms may vary from the terms described here.

We may issue debt securities separately or together with other debt securities.

As you read this section, please remember that the specific terms of your debt security as described in your prospectus supplement will supplement and, if applicable, may modify or replace the general terms described in this section. If there are any differences between your prospectus supplement and this prospectus, your prospectus supplement will control. Thus, the statements we make in this section may not apply to your debt security.

When we refer to a series of debt securities, we mean a series issued under the debt indenture. When we refer to your prospectus supplement, we mean the prospectus supplement describing the specific terms of the debt security you purchase. The terms used in your prospectus supplement will have the meanings described in this prospectus, unless otherwise specified.

Unless we indicate otherwise in your prospectus supplement, the debt securities we issue to you will be part of the series of debt securities referred to as our “medium-term notes, Series B.” The Series B notes are a single distinct series under the debt indenture, and we may issue Series B notes in such amounts, at such times and on such terms as we wish. The Series B notes will differ from one another, and from any other series, in their terms, but all of the Series B notes together will constitute a single series for all purposes under the debt indenture pursuant to which they will be issued.

Amounts That We May Issue

The debt indenture does not limit the aggregate amount of debt securities that we may issue or the number of series or the aggregate amount of any particular series. We have already issued Series B notes, many of which are currently outstanding. We intend to issue additional Series B notes, and may issue additional Series B notes at any time, without your consent and without notifying you. We may also issue debt securities and other securities at any time without your consent and without notifying you.

The debt indenture and the debt securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the debt securities.

Principal Amount, Stated Maturity and Maturity

The principal amount of a debt security means the principal amount payable at its stated maturity, unless that amount is not determinable, in which case the principal amount of a debt security is its face amount.

The term “stated maturity” with respect to any debt security means the day on which the principal amount of your debt security is scheduled to become due. The principal may become due sooner, by reason of redemption or acceleration after a default or otherwise in accordance with the terms of the debt security. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the “maturity” of the principal.

We also use the terms “stated maturity” and “maturity” to refer to the days when other payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the “stated maturity” of that installment.

When we refer to the “stated maturity” or the “maturity” of a debt security without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

This Section Is Only a Summary

The debt indenture and its associated documents, including your debt security, contain the full legal text governing the matters described in this section and your prospectus supplement. We have filed a copy of the debt indenture with the SEC as an exhibit to our registration statement. See “Where You Can Find More Information” above for information on how to obtain a copy.

This section and your prospectus supplement summarize all the material terms of the debt indenture and your debt security. They do not, however, describe every aspect of the debt indenture and your debt security. For example, in this section and your prospectus supplement, we use terms that have been given special meaning in the debt indenture, but we describe the meaning of only the more important of those terms.

Governing Law

The debt indenture is, and the debt securities will be, governed by New York law.

Currency of Debt Securities

Amounts that become due and payable on your debt security in cash will be payable in a currency, composite currency, basket of currencies or currency unit or units specified in your prospectus supplement. We refer to this currency, composite currency, basket of currencies or currency unit or units as a “specified currency.” The specified currency for your debt security will be U.S. dollars, unless your prospectus supplement states otherwise. Some debt securities may have different specified currencies for principal and interest. You will have to pay for your debt securities by delivering the requisite amount of the specified currency to UBS Securities LLC, UBS Financial Services Inc. or another firm that we name in your prospectus supplement, unless other arrangements have been made between you and us or you and that firm. We will make payments on your debt securities in the specified currency, except as described below in “—Payment Mechanics for Debt Securities.” See “Considerations Relating to Securities Denominated or Payable in or Linked to a Non-U.S. Dollar Currency” below for more information about risks of investing in this kind of debt securities.

Types of Debt Securities

We may issue any of the three types of debt securities described below. A debt security may have elements of each of the three types of debt securities described below. For example, a debt security may bear interest at a fixed rate for some periods and at a floating rate in others. Similarly, a debt security may provide for a payment of principal at maturity linked to an index and also bear interest at a fixed or floating rate.

Fixed Rate Debt Securities

A debt security of this type will bear interest at a fixed rate described in the applicable prospectus supplement. This type includes zero coupon debt securities, which bear no interest and are instead issued at a price lower than the principal amount. See “—Original Issue Discount Debt Securities” below for more information about zero coupon and other original issue discount debt securities.

Each fixed rate debt security, except any zero coupon debt security, will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a fixed rate debt security at the fixed yearly rate stated in the applicable prospectus supplement, until the principal is paid or made available for payment or the security has been converted or exchanged. Each payment of interest due on an interest payment date or the date of maturity will include interest accrued from and including the last date to which interest has been paid, or made available for payment, or from the issue date if none has been paid or made available for payment, to but excluding the interest payment date or the date of maturity. We will compute interest on fixed rate debt securities on the basis of a 360-day year of twelve 30-day months. We will pay interest on each interest payment date and at maturity as described below under “—Payment Mechanics for Debt Securities.”

Floating Rate Debt Securities

Interest Rate Formulas. A debt security of this type will bear interest at rates that are determined by reference to an interest rate formula. In some cases, the rates may also be adjusted by adding or subtracting a spread or multiplying by a spread multiplier and may be subject to a minimum rate or a maximum rate. If your debt security is a floating rate debt security, the formula and any adjustments that apply to the interest rate will be specified below.

Each floating rate debt security will bear interest from its original issue date or from the most recent date to which interest on the debt security has been paid or made available for payment. Interest will accrue on the principal of a floating rate debt security at the yearly rate determined according to the interest rate formula stated in the applicable prospectus supplement, until the principal is paid or made available for payment. We will pay interest on each interest payment date and at maturity as described below under “—Payment Mechanics for Debt Securities.”

Calculation of Interest. Calculations relating to floating rate debt securities will be made by the calculation agent, an institution that we appoint as our agent for this purpose. That institution may include any affiliate of ours, such as UBS Securities LLC. The prospectus supplement for a particular floating rate debt security will name the institution that we have appointed to act as the calculation agent for that debt security as of its original issue date. We may appoint a different institution to serve as calculation agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change. Absent manifest error, all determinations of the calculation will be final and binding on you and us, without any liability on the part of the calculation agent.

For each floating rate debt security, the calculation agent will determine, on the corresponding interest calculation or determination date, as described in the applicable prospectus supplement, the interest rate that takes effect on each interest reset date. In addition, the calculation agent will calculate the amount of interest that has accrued during each interest period—*i.e.*, the period from and including the original issue date, or the last date to which interest has been paid or made available for payment, to but excluding the payment date. For each interest period, the calculation agent will calculate the amount of accrued interest by multiplying the face or other specified amount of the floating rate debt security by an accrued interest factor for the interest period. This factor will equal the sum of the interest factors calculated for each day during the interest period. The interest factor for each day will be expressed as a decimal and will be calculated by dividing the interest rate, also expressed as a decimal, applicable to that day by 360 or by the actual number of days in the year, as specified in the applicable prospectus supplement.

Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect for that debt security—and, if determined, the interest rate that will become effective on the next interest reset date. The calculation agent’s determination of any interest rate, and its calculation of the amount of interest for any interest period, will be final and binding in the absence of manifest error.

All percentages resulting from any calculation relating to a debt security will be rounded upward or downward, as appropriate, to the next higher or lower one hundred-thousandth of a percentage point, *e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655). All amounts used in or resulting from any calculation relating to a floating rate debt security will be rounded upward or downward, as appropriate, to the nearest cent, in the case of U.S. dollars, or to the nearest corresponding hundredth of a unit, in the case of a currency other than U.S. dollars, with one-half cent or one-half of a corresponding hundredth of a unit or more being rounded upward.

In determining the base rate that applies to a floating rate debt security during a particular interest period, the calculation agent may obtain rate quotes from various banks or dealers active in the relevant market, as described in the applicable prospectus supplement. Those reference banks and dealers may include the calculation agent itself and its affiliates, as well as any underwriter, dealer or agent participating in the distribution of the relevant floating rate debt securities and its affiliates, and they may include UBS AG or its affiliates.

Indexed Debt Securities

A debt security of this type provides that the principal amount payable at its maturity, and/or the amount of interest payable on an interest payment date, will be determined by reference to:

- securities of one or more issuers;
- one or more currencies;
- one or more commodities;
- any other financial, economic or other measure or instrument, including the occurrence or non-occurrence of any event or circumstance; and/or
- one or more indices or baskets of the items described above.

If you are a holder of an indexed debt security, you may receive an amount at maturity (including upon acceleration following an event of default) that is greater than or less than the face amount of your debt security depending upon the formula used to determine the amount payable and the value of the applicable index at maturity. The value of the applicable index will fluctuate over time.

An indexed debt security may provide either for cash settlement or for physical settlement by delivery of the underlying property or another property of the type listed above. An indexed debt security may also provide that the form of settlement may be determined at our option or at the holder’s option. Some indexed debt securities may be convertible, exercisable or exchangeable, at our option or the holder’s option, into or for securities of an issuer other than UBS AG.

If you purchase an indexed debt security, your prospectus supplement will include information about the relevant index, about how amounts that are to become payable will be determined by reference to the price or value of that index and about the terms on which the security may be settled physically or in cash. The prospectus supplement will also identify the calculation agent that will calculate the amounts payable with respect to the indexed debt security and may exercise significant discretion in doing so. The calculation agent may be UBS Securities LLC or another of our affiliates. See “Considerations Relating to Indexed Securities” for more information about risks of investing in debt securities of this type.

Original Issue Discount Debt Securities

A fixed rate debt security, a floating rate debt security or an indexed debt security may be an original issue discount debt security. A debt security of this type is issued at a price lower than its principal amount and provides that, upon redemption or acceleration of its maturity, an amount less than its principal amount will be payable. An original issue discount debt security may be a zero coupon debt security. A debt security issued at a discount to its principal may, for U.S. federal income tax purposes, be considered an original issue discount debt security, regardless of the amount payable upon redemption or acceleration of maturity. See “U.S. Tax Considerations—Taxation of Debt Securities— Original Issue Discount” below for a brief description of the U.S. federal income tax consequences of owning an original issue discount debt security.

Information in Your Prospectus Supplement

Your prospectus supplement will describe the specific terms of your debt security, which will include some or all of the following:

- any limit on the total principal amount of the debt securities of the same series;
- the stated maturity;
- the specified currency or currencies for principal and interest, if not U.S. dollars;
- the price at which we originally issue your debt security, expressed as a percentage of the principal amount, and the original issue date;
- whether your debt security is a fixed rate debt security, a floating rate debt security or an indexed debt security;
- if your debt security is a fixed rate debt security, the yearly rate at which your debt security will bear interest, if any, and the interest payment dates;
- if your debt security is a floating rate debt security, the interest rate basis; any applicable index currency or maturity, spread or spread multiplier or initial base rate, maximum rate or minimum rate; the interest reset, determination, calculation and payment dates; the day count used to calculate interest payments for any period; the business day convention; and the calculation agent;
- if your debt security is an indexed debt security, the principal amount, if any, we will pay you at maturity, the amount of interest, if any, we will pay you on an interest payment date or the formula we will use to calculate these amounts, if any, and the terms on which your debt security will be exchangeable for or payable in cash, securities or other property;
- if your debt security may be converted into or exercised or exchanged for debt or equity securities of one or more third parties, the terms on which conversion, exercise or exchange may occur, including whether conversion, exercise or exchange is mandatory, at the option of the holder or at our option, the period during which conversion, exercise or exchange may occur, the initial conversion, exercise or exchange price or rate and the circumstances or manner in which the amount of securities issuable upon conversion, exercise or exchange may be adjusted;
- if your debt security is also an original issue discount debt security, the yield to maturity;
- if applicable, the circumstances under which your debt security may be redeemed at our option or repaid at the holder’s option before the stated maturity, including any redemption commencement date, repayment date(s), redemption price(s) and redemption period(s);
- the authorized denominations, if other than \$1,000 and integral multiples of \$1,000;
- the depository for your debt security, if other than DTC, and any circumstances under which the holder may request securities in non-global form, if we choose not to issue your debt security in book-entry form only;
- if your debt security will be issued in bearer form, any special provisions relating to bearer securities;
- if applicable, the circumstances under which we will pay additional amounts on any debt securities held by a person who is not a United States person for tax purposes and under which we can redeem the debt securities if we have to pay additional amounts;
- the names and duties of any co-trustees, depositories, authenticating agents, paying agents, transfer agents or registrars for your debt security, as applicable; and
- any other terms of your debt security, which could be different from those described in this prospectus.

If you purchase your debt security—or any of our other securities we describe in this prospectus—in a market-making transaction, you will receive information about the price you pay and your trade and settlement dates in a separate confirmation of sale. A market-making transaction is one in which we, UBS Securities LLC, UBS Financial Services Inc. or another of our affiliates resells a security that it has previously acquired from another holder. A market-making transaction in a particular security occurs after the original issuance and sale of the security.

Extension of Maturity

If specified in the applicable prospectus supplement, we will have the option to extend the stated maturity of your debt security for one or more periods of whole years up to but not beyond the final maturity date specified in the prospectus supplement. We call a debt security whose maturity we may extend an extendible debt security. We call the period of time as to which we may extend the maturity the extension period. The following procedures will apply to extendible debt securities, unless otherwise indicated in the applicable prospectus supplement.

We may extend the maturity of an extendible debt security by notifying the paying agent between 45 and 60 days before the stated maturity then in effect. The stated maturity may be the original stated maturity, as described in the prospectus supplement, or a maturity that we previously extended by following these procedures. If we notify the paying agent that we will extend the maturity, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed upon between us and the paying agent, at least 30 days before the stated maturity then in effect. The notice sent by the paying agent will provide the following information:

- our election to extend the maturity of the extendible debt security;
- the extended maturity date or, if the maturity date had previously been extended, the new extended maturity date;
- the interest rate that will apply during the extension period or, in the case of a floating rate debt security, the spread and/or spread multiplier, if any, applicable during the extension period; and
- the provisions, if any, for redemption and repayment during the extension period.

Once the paying agent has mailed the notice to each holder, the extension of the maturity date will take place automatically. All of the terms of the debt security will be the same as the terms of the debt security as originally issued, except those terms that are described in the notice sent by the paying agent to each holder and except as described in the following paragraph.

Not later than 10:00 a.m., New York City time, on the twentieth calendar day before the maturity date then in effect for an extendible debt security or, if that day is not a business day, on the next succeeding business day, we may revoke the interest rate set forth in the extension notice sent by the paying agent to each holder and establish a higher interest rate for the extension period. If we elect to establish a higher interest rate, the paying agent will send a notice to each holder by first class mail, postage prepaid, or by other means agreed between us and the paying agent, of the higher interest rate in the case of a floating rate debt security, the higher spread and/or spread multiplier, if any. The notice of the higher rate cannot be revoked. All extendible debt securities as to which the maturity date has been extended will bear the higher rate for the extension period, whether or not tendered for repayment.

If we elect to extend the maturity date of an extendible debt security, each holder may elect repayment of all or part of its debt security on the maturity date then in effect at a price equal to the principal amount plus any accrued and unpaid interest to that date. To elect repayment, a holder must give notice to the paying agent between 25 and 35 days before the maturity date in effect. The notice must consist of either:

- the debt security along with the completed form entitled “Option to Elect Repayment,” which will be attached to your debt security.
- a telegram, facsimile transmission or letter from a member of a national securities exchange, the Financial Industry Regulatory Authority, Inc. or a commercial bank or trust company in the United States setting forth the name of the holder, the principal amount of the debt security, the principal amount of the debt security to be repaid, the certificate number or a description of the tenor and terms of the debt security, a statement that the option to elect repayment is being elected and a guarantee that the debt security, together with the completed form entitled “Option to Elect Repayment” will be received by the paying agent no later than the fifth business day after the date of the telegram, facsimile transmission or letter. The telegram, facsimile transmission or letter will become effective upon receipt, by that fifth business day, of the debt security and complete form.

The holder may revoke the election of repayment by sending to the paying agent written notice by 3:00 p.m., New York City time, on the twentieth day before the maturity date then in effect or, if that day is not a business day, on the next succeeding business day.

If an extendible debt security is represented by a global debt security, the depositary or its nominee, as the holder, will be the only person that can exercise the right to elect repayment or revoke such an election. Any indirect owners who own beneficial interests in the global debt security and wish to make such an election must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depositary to make a repayment election or revoke such an election on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Redemption and Repayment

Unless otherwise indicated in your prospectus supplement, your debt security will not be entitled to the benefit of any sinking fund—that is, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, we will not be entitled to redeem your debt security before its stated maturity (except for certain tax reasons, as described below) unless your prospectus supplement specifies a redemption date or redemption commencement date. You will not be entitled to require us to buy your debt security from you, before its stated maturity, unless your prospectus supplement specifies one or more repayment dates.

If your prospectus supplement specifies one or more redemption dates, a redemption commencement date or a repayment date, it will also specify one or more redemption prices or repayment prices, which may be expressed as a percentage of the principal amount of your debt security. It may also specify one or more redemption periods during which the redemption prices relating to a redemption of debt securities during those periods will apply.

If your prospectus supplement specifies one or more redemption dates, your debt security will be redeemable at our option on any of those dates. If your prospectus supplement specifies a redemption commencement date, your debt security will be redeemable at our option at any time on or after that date. If we redeem your debt security, we will do so at the specified redemption price. If different prices are specified for different redemption periods, the price we pay will be the price that applies to the redemption period during which your debt security is redeemed.

If your prospectus supplement specifies a repayment date, your debt security will be repayable at your option on the specified repayment date at the specified repayment price, together with interest accrued to the repayment date.

If we exercise an option to redeem any debt security, we will give the trustee and the holders written notice of the principal amount of the debt security to be redeemed, not less than 3 business days nor more than 60 days before the applicable redemption date unless otherwise specified in your prospectus supplement. We will give the notice in the manner described below in “—Notices.”

If a debt security represented by a global debt security is subject to repayment at the holder’s option, the depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect holders who own beneficial interests in the global debt security and wish to exercise a repayment right must give proper and timely instructions to the banks or brokers through which they hold their interests, requesting that they notify the depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Street name and other indirect holders should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, at our discretion, be held, resold or cancelled.

Optional Tax Redemption

In addition to the situations described above under “—Redemption and Repayment,” we also have the option to redeem the debt securities in two situations described below, unless otherwise indicated in your prospectus supplement. The redemption price for the debt securities, other than original issue discount debt securities, will be equal to the principal amount of the debt securities being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. The redemption price for original issue discount debt securities will be specified in the prospectus supplement for such debt securities. Furthermore, we must give you between 10 and 60 days’ notice before redeeming the debt securities unless otherwise specified in your prospectus supplement.

- The first situation is where, as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties, we would be required to pay additional amounts as described below under “—Payment of Additional Amounts.”

This applies only in the case of changes, executions, amendments, applications or interpretations that occur on or after the date specified in the prospectus supplement for the applicable debt securities and in a relevant jurisdiction, as defined in “—Payment of Additional Amounts” below. If UBS is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which the successor entity is organized, and the applicable date will be the date the entity became a successor.

We would not have the option to redeem in this case if we could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to us.

- The second situation is where a person located outside of a relevant jurisdiction into which UBS is merged or to whom it has conveyed, transferred or leased its property is required to pay an additional amount. We would have the option to redeem the debt securities even if we are required to pay additional amounts immediately after the merger, conveyance, transfer or lease. We are not required to use reasonable measures to avoid the obligation to pay additional amounts in this situation.

Payment of Additional Amounts

A relevant jurisdiction may require UBS to withhold amounts from payments on the principal or interest on a debt security for taxes or any other governmental charges. If the relevant jurisdiction requires a withholding of this type, UBS may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the debt security to which you are entitled.

By relevant jurisdiction, we mean Switzerland or a jurisdiction in which the UBS branch through which debt securities are issued is located. UBS will not have to pay additional amounts in respect of taxes or other governmental charges that are required to be deducted or withheld by any paying agent from a payment on a debt security, if such payment can be made without such deduction or withholding by any other paying agent. Furthermore, UBS will not pay additional amounts for or on account of:

- the existence of any present or former connection between you and the relevant jurisdiction, other than the mere holding of the debt security and the receipt of payments on it;

- any estate, inheritance, gift, sales, transfer or personal property tax or any similar tax, duty, assessment or governmental charge;
- your failure, or the failure of any intermediary, custodian or broker, to comply with any reasonable certification, documentation, information or other reporting requirement concerning your nationality, residence, identity or connection with the relevant jurisdiction, if such compliance is required as a precondition to relief or exemption from such taxes or other governmental charges (including, without limitation, a certification that you are not resident in the relevant jurisdiction or are not an individual resident of a member state of the European Union);
- your status as a bank purchasing the debt security in the ordinary course of its lending business;
- your actual or constructive ownership of 10% or more of the combined voting power of all classes of stock of UBS entitled to vote;
- any taxes imposed on contingent interest as described in section 871(h)(4) of the Internal Revenue Code (as defined below under “U.S. Tax Considerations”);
- any taxes which would not have been imposed but for your presentation, or a presentation on your behalf, of a debt security payment on a date more than 15 days after the date on which such payment on the debt security becomes due and payable or on which the payment is duly provided for, whichever occurs later; or
- any combination of the items listed above.

In addition, no additional amounts will be required to be paid on account of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Internal Revenue Code (as defined below under “U.S. Tax Considerations”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Internal Revenue Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Internal Revenue Code.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to UBS is organized. The prospectus supplement relating to the debt security may describe additional circumstances in which UBS would not be required to pay additional amounts.

Mergers and Similar Transactions

We are generally permitted to merge or consolidate with another firm. We are also permitted to sell our assets substantially as an entirety to another firm. With regard to any series of debt securities, we may not take any of these actions, however, unless all the following conditions are met:

- If the successor firm in the transaction is not UBS, the successor firm must be organized as a corporation, partnership or trust and must expressly assume our obligations under the debt securities of that series and the debt indenture. The successor firm must be organized under the laws of Switzerland.
- Immediately after the transaction, no default under the debt securities of that series has occurred and is continuing. For this purpose, “default under the debt securities of that series” means an event of default with respect to that series or any event that would be an event of default with respect to that series if the requirements for giving us default notice and for our default having to continue for a specific period of time were disregarded. We describe these matters below under “—Default, Remedies and Waiver of Default.”

If the conditions described above are satisfied with respect to the debt securities of any series, we will not need to obtain the approval of the holders of those debt securities in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another firm or sell our assets substantially as an entirety to another firm. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another firm, any transaction that involves a change of control of UBS but in which we do not merge or consolidate and any transaction in which we sell less than substantially all our assets.

Also, if we merge, consolidate or sell our assets substantially as an entirety and the successor firm is a non-Swiss entity, neither we nor any successor would have any obligation to compensate you for any resulting adverse tax consequences to the debt securities.

Defeasance and Covenant Defeasance

If indicated in the applicable prospectus supplement for a debt security, the provisions for full defeasance and covenant defeasance described below will apply to that debt security. In general, we expect these provisions to apply to each debt security that has a specified currency of U.S. dollars and is not a floating rate or indexed debt security.

Full Defeasance

If there is a change in U.S. federal tax law, as described below, we can legally release ourselves from all payment and other obligations on your debt security. This is called full defeasance. To do so, each of the following must occur:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants, generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.

- There must be a change in current U.S. federal tax law or an Internal Revenue Service ruling that lets us make the above deposit without causing the holders to be taxed on those debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves. Under current federal tax law, the deposit and our legal release from your debt securities would be treated as though we took back your debt security and gave you your share of the cash and notes or bonds deposited in trust. In that event, you could recognize gain or loss on your debt security.
- We must deliver to the trustee a legal opinion of our counsel confirming the tax law change described above.

If we ever fully defease your debt security, you would have to rely solely on the trust deposit for payments on your debt security. You would not be able to look to us for payment in the event of any shortfall.

Covenant Defeasance

Under current U.S. federal tax law, we can make the same type of deposit described above and be released from any restrictive covenants relating to your debt security that may be described in your prospectus supplement. This is called covenant defeasance. In that event, you would lose the protection of those restrictive covenants. In order to achieve covenant defeasance for any debt securities, we must do both of the following:

- We must deposit in trust for the benefit of all holders of those debt securities, money, U.S. government or U.S. government agency notes or bonds or a combination of money and U.S. government or U.S. government agency notes or bonds that will, in each case, in the opinion of a nationally recognized firm of independent public accountants, generate enough cash to make interest, principal and any other payments on those debt securities on their various due dates.
- We must deliver to the trustee a legal opinion of our counsel confirming that under U.S. federal income tax law as then in effect we may make the above deposit without causing you to be taxed on those debt securities any differently than if we did not make the deposit and just repaid those debt securities ourselves.

If we accomplish covenant defeasance with regard to your debt security, the following provisions of the debt indenture and your debt security would no longer apply:

- Any covenants that your prospectus supplement may state are applicable to your debt security; and
- The events of default resulting from a breach of covenants, described below in the fourth bullet point under “—Default, Remedies and Waiver of Default—Events of Default.”

Any right we have to redeem will survive covenant defeasance with regard to those debt securities.

If we accomplish covenant defeasance on your debt security, you can still look to us for repayment of your debt security in the event of any shortfall in the trust deposit. You should note, however, that if one of the remaining events of default occurred, such as our bankruptcy, and your debt security became immediately due and payable, there may be a shortfall. Depending on the event causing the default you may not be able to obtain payment of the shortfall.

Default, Remedies and Waiver of Default

You will have special rights if an event of default with respect to your series of debt securities occurs and is not cured, as described in this subsection.

Events of Default

Unless your prospectus supplement says otherwise, when we refer to an event of default with respect to any series of debt securities, we mean any of the following:

- We do not pay the principal or any premium (including delivering any security or other property deliverable) on any debt security of that series at its maturity;
- We do not pay interest on any debt securities of that series within 30 days after it becomes due and payable;
- We do not deposit a sinking fund payment with regard to any debt securities of that series on its due date, but only if the payment is required in the applicable prospectus supplement;
- We remain in breach of any other covenant we make in the debt indenture for the benefit of the debt securities of that series, for 60 days after we receive a notice of default stating that we are in breach and requiring us to remedy the breach. The notice must be sent by the trustee or the holders of not less than 10% in principal amount of the relevant series of debt securities then outstanding;
- We file for bankruptcy or certain other bankruptcy, insolvency or reorganization events relating to UBS occur; or
- If the applicable prospectus supplement states that any additional event of default applies to your series, that event of default occurs.

Remedies If an Event of Default Occurs

If an event of default has occurred with respect to any series of debt securities and has not been cured or waived, the trustee or the holders of not less than 25% in principal amount of all debt securities of that series then outstanding may declare the entire principal amount of the debt securities of that series to be due immediately. If an event of default occurs because of bankruptcy, insolvency or reorganization events relating to UBS, the entire principal amount of the debt securities of that series will be automatically accelerated, without any action by the trustee or any holder.

Each of the situations described above is called an acceleration of the maturity of the affected series of debt securities. If the maturity of any series is accelerated and a judgment for payment has not yet been obtained, the holders of a majority in principal amount of the debt securities of that series may cancel the acceleration for the entire series.

If an event of default occurs, the trustee will have special duties. The trustee will be obligated to use those of its rights and powers under the debt indenture, and to use the same degree of care and skill in doing so, that a prudent person would use in that situation in conducting his or her own affairs.

Except as described in the prior paragraph, the trustee is not required to take any action under the debt indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This is called an indemnity. If the trustee is provided with an indemnity reasonably satisfactory to it, the holders of a majority in principal amount of all debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee with respect to that series. These majority holders may also direct the trustee in performing any other action under the debt indenture with respect to the debt securities of that series.

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to any debt security, all of the following must occur:

- The holder of your debt security must give the trustee written notice that an event of default has occurred, and the event of default must not have been cured or waived.
- The holders of not less than 25% in principal amount of all debt securities of your series must make a written request that the trustee take action because of the default, and they or other holders must offer to the trustee indemnity reasonably satisfactory to the trustee against the cost and other liabilities of taking that action.
- The trustee must not have taken action for 60 days after the above steps have been taken.
- During those 60 days, the holders of a majority in principal amount of the debt securities of your series must not have given the trustee directions that are inconsistent with the written request of the holders of not less than 25% in principal amount of all debt securities of your series.

You are, however, entitled at any time to bring a lawsuit for the payment of money due on your debt security on or after its due date.

Waiver of Default

The holders of not less than a majority in principal amount of the debt securities of any series may waive a default for all debt securities of that series. If this happens, the default will be treated as if it has not occurred. No one can waive a payment default on your debt security, however, without the approval of the particular holder of that debt security.

We Will Give the Trustee Information About Defaults Annually

We will furnish to the trustee every year a written statement of two of our officers certifying that to their knowledge we are in compliance with the debt indenture and the debt securities, or else specifying any default under the debt indenture.

Book-entry and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and how to declare or cancel an acceleration of the maturity of the debt securities. Book-entry and other indirect owners are described below under “Legal Ownership and Book-Entry Issuance.”

Modification and Waiver of Covenants

There are three types of changes we can make to the debt indenture and the debt securities of any series.

Changes Requiring Each Holder's Approval

First, there are changes that cannot be made without the approval of each holder of a debt security affected by the change. Here is a list of those types of changes:

- change the stated maturity for any principal or interest payment on a debt security;
- reduce the principal amount, the amount payable on acceleration of the maturity after a default, the interest rate or the redemption price for a debt security;
- permit redemption of a debt security if not previously permitted;
- impair any right a holder may have to require repayment of his or her debt security;
- impair any right that a holder of an indexed or any other debt security may have to exchange or convert the debt security for or into securities or other property;
- change the currency of any payment on a debt security other than as permitted by the debt security;
- change the place of payment on a debt security, if it is in non-global form;
- impair a holder's right to sue for payment of any amount due on his or her debt security;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the approval of whose holders is needed to change the debt indenture or those debt securities;
- reduce the percentage in principal amount of the debt securities of any one or more affected series, taken separately or together, as applicable, the consent of whose holders is needed to waive our compliance with the debt indenture or to waive defaults; and
- change the provisions of the debt indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to above or to add to the provisions that cannot be changed or waived without approval of the holder of each affected debt security.

Changes Not Requiring Approval of Holders

The second type of change does not require any approval by holders of the debt securities of an affected series. This type of change is limited to clarifications and changes that would not adversely affect the debt securities of that series in any material respect. We also do not need any approval to make changes that affect only debt securities to be issued under the debt indenture after the changes take effect.

We may also make changes or obtain waivers that do not adversely affect a particular debt security, even if they affect other debt securities. In those cases, we do not need to obtain the approval of the holder of the unaffected debt security; we need only obtain any required approvals from the holders of the affected debt securities.

Changes Requiring Majority Approval

Any other change to the debt indenture and the debt securities would require the following approval:

- If the change affects only the debt securities of a particular series, it must be approved by the holders of 66⅔% in principal amount of the debt securities of that series.
- If the change affects the debt securities of more than one series of debt securities issued under the debt indenture, it must be approved by the holders of 66⅔% in principal amount of all series affected by the change, with the debt securities of all the affected series voting together as one class for this purpose (and of any affected series that by its terms is entitled to vote separately as a series, as described below).

In each case, the required approval must be given by written consent.

Majority approval would be required for us to obtain a waiver of any of our covenants in the debt indenture. Our covenants include the promises we make about merging, which we describe above under “—Mergers and Similar Transactions.” If the holders approve a waiver of a covenant, we will not have to comply with that covenant. The holders, however, cannot approve a waiver of any provision in a particular debt security, or in the debt indenture as it affects that debt security, that we cannot change without the approval of the holder of that debt security as described above under “—Changes Requiring Each Holder’s Approval,” unless that holder approves the waiver.

Book-entry and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the debt indenture or the debt securities or request a waiver.

Special Rules for Action by Holders

When holders take any action under the debt indenture, such as giving a notice of default, declaring an acceleration, approving any change or waiver or giving the trustee an instruction, we will apply the following rules.

Only Outstanding Debt Securities Are Eligible

Only holders of outstanding debt securities of the applicable series will be eligible to participate in any action by holders of debt securities of that series. Also, we will count only outstanding debt securities in determining whether the various percentage requirements for taking action have been met. For these purposes, a debt security will not be “outstanding”:

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its holder, money for its payment or redemption;
- if we have fully defeased it as described above under “—Defeasance and Covenant Defeasance—Full Defeasance”; or
- if we or one of our affiliates, such as UBS Securities LLC or UBS Financial Services Inc., is the beneficial owner.

Special Series Voting Rights

We may issue series of debt securities that are entitled, by their terms, to vote separately on matters (for example, modification or waiver of provisions in the debt indenture) that would otherwise require a vote of all affected series, voting together as a single class. Any such series would be entitled to vote together with all other affected series, voting together as one class, and would also be entitled to vote separately, as a series only. These special voting rights will be described in the applicable prospectus supplement. For a series that does not have these special rights, voting will occur as described in the preceding section, but subject to any separate voting rights of any series having special rights. We may issue a series having these or other special voting rights without obtaining the consent of or giving notice to holders of outstanding series.

Eligible Principal Amount of Some Debt Securities

In some situations, we may follow special rules in calculating the principal amount of a debt security that is to be treated as outstanding for the purposes described above. This may happen, for example, if the principal amount is payable in a non-U.S. dollar currency, increases over time or is not to be fixed until maturity. For any debt security of the kind described below, we will decide how much principal amount to attribute to the debt security as follows:

- For an original issue discount debt security, we will use the principal amount that would be due and payable on the action date if the maturity of the debt security were accelerated to that date because of a default.
- For a debt security whose principal amount is not known, we will use any amount that we indicate in the prospectus supplement for that debt security. The principal amount of a debt security may not be known, for example, because it is based on an index that changes from time to time and the principal amount is not to be determined until a later date.
- For debt securities with a principal amount denominated in one or more non-U.S. dollar currencies or currency units, we will use the U.S. dollar equivalent, which we will determine.

Determining Record Dates for Action by Holders

We will generally be entitled to set any day as a record date for the purpose of determining the holders that are entitled to take action under the debt indenture. In certain limited circumstances, only the trustee will be entitled to set a record date for action by holders. If we or the trustee set a record date for an approval or other action to be taken by holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the trustee specifies if it sets the record date. We or the trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global debt security may be set in accordance with procedures established by the depository from time to time. Accordingly, record dates for global debt securities may differ from those for other debt securities.

Form, Exchange and Transfer of Debt Securities

We will issue each debt security in global—*i.e.*, book-entry—form only, unless we specify otherwise in the applicable prospectus supplement. Debt securities in book-entry form will be represented by a global security registered in the name of a depository, which will be the holder of all the debt securities represented by the global security. Those who own beneficial interests in a global debt security will do so through participants in the depository's securities clearance system, and the rights of these indirect owners will be governed solely by the applicable procedures of the depository and its participants. We describe book-entry securities below under "Legal Ownership and Book-Entry Issuance." Unless we specify otherwise in the applicable prospectus supplement, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities in global form.

In addition, we will generally issue each debt security in registered form, without coupons, unless we specify otherwise in the applicable prospectus supplement. If we issue a debt security in bearer form, the applicable prospectus supplement will describe the provisions that would apply to that security.

If a debt security is issued as a global debt security, only the depository—*e.g.*, DTC, Euroclear and Clearstream—will be entitled to transfer and exchange the debt security or exercise any other rights of a holder as described in this subsection, since the depository will be the sole holder of the debt security.

If any debt securities cease to be issued in global form, then unless we indicate otherwise in your prospectus supplement, they will be issued:

- only in fully registered form;
- without interest coupons; and
- unless we indicate otherwise in your prospectus supplement, in denominations of \$1,000 and integral multiples of \$1,000.

Holders may exchange their debt securities for debt securities of smaller denominations (subject to the limit above) or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. You may not exchange your debt securities for securities of a different series or having different terms, unless your prospectus supplement says you may.

Holders may exchange or transfer their debt securities at the office of the trustee. They may also replace lost, stolen, destroyed or mutilated debt securities at that office. We have appointed the trustee to act as our agent for registering debt securities in the names of holders and transferring and replacing debt securities. We may appoint another entity to perform these functions or perform them ourselves.

Holders will not be required to pay a service charge to transfer or exchange their debt securities, but they may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange, and any replacement, will be made only if our transfer agent is satisfied with the holder's proof of legal ownership. The transfer agent may require an indemnity before replacing any debt securities.

If we have designated additional transfer agents for your debt security, they will be named in your prospectus supplement. We may appoint additional transfer agents or cancel the appointment of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the debt securities of any series are redeemable and we redeem less than all those debt securities, we may block the transfer or exchange of those debt securities during the period beginning 15 days before the day we mail the notice of redemption and ending on the day of that mailing or during any other period specified in the applicable prospectus supplement, in order to freeze the list of holders who will receive the mailing. We may also refuse to register transfers of or exchange any debt security selected for redemption, except that we will continue to permit transfers and exchanges of the unredeemed portion of any debt security being partially redeemed.

The rules for exchange described above apply to exchanges of debt securities for other debt securities of the same series and kind. If a debt security is convertible, exercisable or exchangeable into or for a different kind of security, such as one that we have not issued, or for other property, the rules governing that type of conversion, exercise or exchange will be described in the applicable prospectus supplement.

Payment Mechanics for Debt Securities

Who Receives Payments?

If interest is due on a debt security on an interest payment date, we will pay the interest to the person in whose name the debt security is registered at the close of business on the regular record date described below relating to the interest payment date. If interest is due at maturity but on a day that is not an interest payment date, we will pay the interest to the person entitled to receive the principal of the debt security. If principal or another amount besides interest is due on a debt security at maturity, we will pay the amount to the holder of the debt security against surrender of the debt security at a proper place of payment (or, in the case of a global debt security, in accordance with the applicable policies of the depository).

Payment Dates and Regular Record Dates for Interest

Unless we specify otherwise in the applicable prospectus supplement, interest on any fixed rate debt security will be payable semiannually each May 15 and November 15 and at maturity, and the regular record date relating to an interest payment date for any fixed rate debt security will be the May 1 or November 1 next preceding that interest payment date. The regular record date relating to an interest payment date for any floating rate debt security will be the 15th calendar day before that interest payment date. These record dates will apply whether or not a particular record date is a business day. For the purpose of determining the holder at the close of business on a regular record date when business is not being conducted, the close of business will mean 5:00 P.M., New York City time, on that day.

The term “business day” means, for any debt security, a day that meets all the following applicable requirements:

- for all debt securities, is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in New York City generally are authorized or obligated by law, regulation or executive order to close and that satisfies any other criteria specified in your prospectus supplement;
- if the debt security is a floating rate debt security whose interest rate is based on the London Inter-Bank Offered Rate (“LIBOR”), is also a day on which dealings in the relevant index currency specified in the applicable prospectus supplement are transacted in the London interbank market;
- if the debt security is a floating rate debt security whose interest rate is based on the Secured Overnight Financing Rate (“SOFR”), is also any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;
- if the debt security has a specified currency other than U.S. dollars or euros, is also a day on which banking institutions are not authorized or obligated by law, regulation or executive order to close in the principal financial center of the country issuing the specified currency;
- if the debt security either is a floating rate debt security whose interest rate is based on EURIBOR or has a specified currency of euros, is also a day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET) System, or any successor system, is open for business;
- if the debt security is held through Euroclear, is also not a day on which banking institutions in Brussels, Belgium are generally authorized or obligated by law, regulation or executive order to close; and
- if the debt security is held through Clearstream, is also not a day on which banking institutions in Luxembourg are generally authorized or obligated by law, regulation or executive order to close.

How We Will Make Payments Due in U.S. Dollars

We will follow the practices described in this subsection when paying amounts due in U.S. dollars. Payments of amounts due in other currencies will be made as described in the next subsection.

Payments on Global Debt Securities. We will make payments on a global debt security in accordance with the applicable policies of the depository as in effect from time to time. Under those policies, we will pay directly to the depository, or its nominee, and not to any indirect owners who own beneficial interests in the global debt security. An indirect owner’s right to receive those payments will be governed by the rules and practices of the depository and its participants, as described under “Legal Ownership and Book-Entry Issuance—What Is a Global Security?”

Payments on Non-Global Debt Securities. We will make payments on a debt security in non-global, registered form as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee’s records as of the close of business on the regular record date. We will make all other payments by check at the paying agent described below, against surrender of the debt security. All payments by check will be made in next-day funds—that is, in funds that become available on the day after the check is cashed.

Alternatively, if a non-global debt security has a face amount of at least \$1,000,000 and the holder asks us to do so, we will pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire payment, the holder must give the paying agent appropriate wire transfer instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the debt security is surrendered to the paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their debt securities.

How We Will Make Payments Due in Other Currencies

We will follow the practices described in this subsection when paying amounts that are due in a specified currency other than U.S. dollars.

Payments on Global Debt Securities. We will make payments on a global debt security in accordance with the applicable policies of the depositary as in effect from time to time. We understand that these policies, as currently in effect at DTC, are as follows:

Unless otherwise indicated in your prospectus supplement, if you are an indirect owner of global debt securities denominated in a specified currency other than U.S. dollars and if you have the right to elect to receive payments in that other currency and you do make that election, you must notify the participant through which your interest in the global debt security is held of your election:

- on or before the applicable regular record date, in the case of a payment of interest, or
- on or before the 16th day prior to stated maturity, or any redemption or repayment date, in the case of payment of principal or any premium.

You may elect to receive all or only a portion of any interest, principal or premium payment in a specified currency other than U.S. dollars.

Your participant must, in turn, notify DTC of your election on or before the third DTC business day after that regular record date, in the case of a payment of interest, and on or before the 12th DTC business day prior to stated maturity, or on the redemption or repayment date if your debt security is redeemed or repaid earlier, in the case of a payment of principal or any premium.

DTC, in turn, will notify the paying agent of your election in accordance with DTC's procedures.

If complete instructions are received by the participant and forwarded by the participant to DTC, and by DTC to the paying agent, on or before the dates noted above, the paying agent, in accordance with DTC's instructions, will make the payments to you or your participant by wire transfer of immediately available funds to an account maintained by you or your participant with a bank located in the country issuing the specified currency or in another jurisdiction acceptable to us and the paying agent.

If the foregoing steps are not properly completed, we expect DTC to inform the paying agent that payment is to be made in U.S. dollars. In that case, we or our agent will convert the payment to U.S. dollars in the manner described below under "— Conversion to U.S. Dollars." We expect that we or our agent will then make the payment in U.S. dollars to DTC, and that DTC in turn will pass it along to its participants.

Book-entry and other indirect holders of a global debt security denominated in a currency other than U.S. dollars should consult their banks or brokers for information on how to request payment in the specified currency.

Payments on Non-Global Debt Securities. Except as described in the second to last paragraph under this heading, we will make payments on debt securities in non-global form in the applicable specified currency. We will make these payments by wire transfer of immediately available funds to any account that is maintained in the applicable specified currency at a bank designated by the holder and is acceptable to us and the trustee. To designate an account for wire payment, the holder must give the paying agent appropriate wire instructions at least five business days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the regular record date. In the case of any other payment, the payment will be made only after the debt security is surrendered to the paying agent. Any instructions, once properly given, will remain in effect unless and until new instructions are properly given in the manner described above.

If a holder fails to give instructions as described above, we will notify the holder at the address in the trustee's records and will make the payment within five business days after the holder provides appropriate instructions. Any late payment made in these circumstances will be treated under the debt indenture as if made on the due date, and no interest will accrue on the late payment from the due date to the date paid.

Although a payment on a debt security in non-global form may be due in a specified currency other than U.S. dollars, we will make the payment in U.S. dollars if the holder asks us to do so. To request U.S. dollar payment, the holder must provide appropriate written notice to the trustee at least five business days before the next due date for which payment in U.S. dollars is requested. In the case of any interest payment due on an interest payment date, the request must be made by the person who is the holder on the regular record date. Any request, once properly made, will remain in effect unless and until revoked by notice properly given in the manner described above.

Indirect owners of a non-global debt security with a specified currency other than U.S. dollars should contact their banks or brokers for information about how to receive payments in the specified currency or in U.S. dollars.

Conversion to U.S. Dollars. When we are asked by a holder to make payments in U.S. dollars of an amount due in another currency, either on a global debt security or a non-global debt security as described above, we will determine the U.S. dollar amount the holder receives as follows. The exchange rate agent described below will request currency bid quotations expressed in U.S. dollars from three or, if three are not available, then two, recognized foreign exchange dealers in New York City, any of which may be the exchange rate agent, which may be UBS Securities LLC, an affiliate of UBS, as of 11:00 A.M., New York City time, on the second business day before the payment date. Currency bid quotations will be requested on an aggregate basis, for all holders of debt securities requesting U.S. dollar payments of amounts due on the same date in the same specified currency. The U.S. dollar amount the holder receives will be based on the highest acceptable currency bid quotation received by the exchange rate agent. If the exchange rate agent determines that at least two acceptable currency bid quotations are not available on that second business day, the payment will be made in the specified currency.

To be acceptable, a quotation must be given as of 11:00 A.M., New York City time, on the second business day before the due date and the quoting dealer must commit to execute a contract at the quotation in the total amount due in that currency on all series of debt securities. If some but not all of the relevant debt securities are LIBOR debt securities, SOFR debt securities or EURIBOR debt securities, the second preceding business day will be determined for this purpose as if none of those debt securities were LIBOR debt securities, SOFR debt securities or EURIBOR debt securities.

A holder that requests payment in U.S. dollars will bear all associated currency exchange costs, which will be deducted from the payment.

When the Specified Currency Is Not Available. If we are obligated to make any payment in a specified currency other than U.S. dollars, and the specified currency or any successor currency is not available to us or cannot be paid to you due to circumstances beyond our control—such as the imposition of exchange controls or a disruption in the currency markets—we will be entitled to satisfy our obligation to make the payment in that specified currency by making the payment in U.S. dollars, on the basis specified in the applicable prospectus supplement.

For a specified currency other than U.S. dollars, the exchange rate will be the noon buying rate for cable transfers of the specified currency in New York City as quoted by the Federal Reserve Bank of New York on the then-most recent day on which that bank has quoted that rate.

The foregoing will apply to any debt security, whether in global or non-global form, and to any payment, including a payment at maturity. Any payment made under the circumstances and in a manner described above will not result in a default under any debt security or the debt indenture.

Exchange Rate Agent. If we issue a debt security in a specified currency other than U.S. dollars, we will appoint a financial institution to act as the exchange rate agent and will name the institution initially appointed when the debt security is originally issued in the applicable prospectus supplement. We may select UBS Securities LLC or another of our affiliates to perform this role. We may change the exchange rate agent from time to time after the original issue date of the debt security without your consent and without notifying you of the change.

All determinations made by the exchange rate agent will be at its sole discretion unless we state in your prospectus supplement that any determination is subject to our approval. In the absence of manifest error, those determinations will be conclusive for all purposes and binding on you and us, without any liability on the part of the exchange rate agent.

Payment When Offices Are Closed

If any payment is due on a debt security on a day that is not a business day, we will make the payment on the next day that is a business day. Unless specified otherwise in the applicable prospectus supplement, payments postponed to the next business day in this situation will be treated under the debt indenture as if they were made on the original due date. Postponement of this kind will not result in a default under any debt security or the debt indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day. The term business day has a special meaning, which we describe above under “—Payment Dates and Regular Record Dates for Interest.”

Paying Agent

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices debt securities in non-global entry form may be surrendered for payment at their maturity. We call each of those offices a paying agent. We may add, replace or terminate paying agents from time to time. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as the paying agent. We must notify the trustee of changes in the paying agents.

Settlement Mechanics

The settlement mechanics applicable to debt securities calling for physical settlement will be described in the applicable prospectus supplement.

Unclaimed Payments

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or anyone else.

Notices

Notices to be given to holders of a global debt security will be given only to the depositary, in accordance with its applicable policies as in effect from time to time. Notices to be given to holders of debt securities not in global form will be sent by mail to the respective addresses of the holders as they appear in the trustee's records, and will be deemed given when mailed. Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Book-entry and other indirect holders should consult their banks or brokers for information on how they will receive notices.

Our Relationship with the Trustee

U.S. Bank Trust National Association has provided commercial banking and other services for us and our affiliates in the past and may do so in the future. Among other things, U.S. Bank Trust National Association holds debt securities issued by us and serves as trustee or agent with regard to other obligations of UBS or its subsidiaries.

U.S. Bank Trust National Association is serving as the trustee for the debt securities and the warrants issued under our warrant indenture. Consequently, if an actual or potential event of default occurs with respect to any of these securities, the trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the trustee may be required to resign under one or more of the indentures, and we would be required to appoint a successor trustee. For this purpose, a "potential" event of default means an event that would be an event of default if the requirements for giving us default notice or for the default having to exist for a specific period of time were disregarded.

Legal Ownership and Book-Entry Issuance

In this section, we describe special considerations that will apply to registered securities issued in global—i.e., book-entry—form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

Who is The Legal Owner of a Registered Security?

Each debt security or warrant in registered form will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. We refer to those who have securities registered in their own names, on the books that we or the trustee, warrant agent or other agent maintain for this purpose, as the "holders" of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

Book-Entry Owners

We will issue each security in book-entry form only. This means securities will be represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under each indenture or warrant agreement, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for securities issued in global form, we will recognize only the depositary as the holder of the securities and we will make all payments on the securities, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors will not own securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the securities are issued in global form, investors will be indirect owners, and not holders, of the securities.

Street Name Owners

In the future we may terminate a global security or issue securities initially in non-global form. In these cases, investors may choose to hold their securities in their own names or in street name. Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

Legal Holders

Our obligations, as well as the obligations of the trustee and the obligations, if any, of any warrant agents and any other third parties employed by us, the trustee or any of those agents, run only to the holders of the securities. We do not have obligations to investors who hold indirect interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose—for example, to amend the indenture for a series of debt securities or warrants or the warrant agreement for a series of warrants or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the indenture—we would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to “you” in this prospectus, we mean those who invest in the securities being offered by this prospectus, whether they are the holders or only indirect owners of those securities. When we refer to “your securities” in this prospectus, we mean the securities in which you will hold a direct or indirect interest.

Special Considerations for Indirect Owners

If you hold securities through a bank, broker or other financial institution, either in book-entry form or in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell warrant property under a warrant or to exchange or convert a security for or into other property;
- how it would handle a request for the holders’ consent, if ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a holder, if that is permitted in the future;
- how it would exercise rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the securities are in book-entry form, how the depository’s rules and procedures will affect these matters.

What Is a Global Security?

We will issue each security in book-entry form only. Each security issued in book-entry form will be represented by a global security that we deposit with and register in the name of one or more financial institutions or clearing systems, or their nominees, which we select. A financial institution or clearing system that we select for any security for this purpose is called the “depository” for that security. A security will usually have only one depository but it may have more.

Each series of securities will have one or more of the following as the depositories:

- The Depository Trust Company, New York, New York, which is known as “DTC”;
- a financial institution holding the securities on behalf of Morgan Guaranty Trust Company of New York, acting out of its Brussels, Belgium, office, as operator of the Euroclear system, which is known as “Euroclear”;
- a financial institution holding the securities on behalf of Clearstream Banking, société anonyme, which is known as “Clearstream”; and

- any other clearing system or financial institution named in the applicable prospectus supplement. The depositories named above may also be participants in one another's systems. Thus, for example, if DTC is the depository for a global security, investors may hold beneficial interests in that security through Euroclear or Clearstream, as DTC participants.

The depository or depositories for your securities will be named in your prospectus supplement; if none is named, the depository will be DTC.

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms. We may, however, issue a global security that represents multiple securities of the same kind, such as debt securities, that have different terms and are issued at different times. We call this kind of global security a master global security. Your prospectus supplement will not indicate whether your securities are represented by a master global security.

A global security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. We describe those situations below under “—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated.” As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all securities represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that does. Thus, an investor whose security is represented by a global security will not be a holder of the security, but only an indirect owner of an interest in the global security.

If the prospectus supplement for a particular security indicates that the security will be issued in global form only, then the security will be represented by a global security at all times unless and until the global security is terminated. We describe the situations in which this can occur below under “—Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated.” If termination occurs, we may issue the securities through another book-entry clearing system or decide that the securities may no longer be held through any book-entry clearing system.

Special Considerations for Global Securities

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depository and those of the investor's financial institution or other intermediary through which it holds its interest (such as Euroclear or Clearstream, if DTC is the depository), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of securities and instead deal only with the depository that holds the global security. If securities are issued only in the form of a global security, an investor should be aware of the following:

- An investor cannot require the securities to be registered in his or her own name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below.
- An investor will be an indirect holder and must look to his or her own bank or broker for payments on the securities and protection of his or her legal rights relating to the securities, as we describe above under “—Who Is the Legal Owner of a Registered Security?”
- An investor may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.
- An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.
- The depository's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global security, and those policies may change from time to time. We, the trustee and any warrant agents will have no responsibility for any aspect of the depository's policies, actions or records of ownership interests in a global security. We, the trustee and any warrant agents also do not supervise the depository in any way.
- The depository will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well.

- Financial institutions that participate in the depositary's book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the depositary, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

Holder's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated

If we issue any series of securities in book-entry form but we choose to give the beneficial owners of that series the right to obtain non-global securities, any beneficial owner entitled to obtain non-global securities may do so by following the applicable procedures of the depositary, any transfer agent or registrar for that series and that owner's bank, broker or other financial institution through which that owner holds its beneficial interest in the securities. If you are entitled to request a non-global certificate and wish to do so, you will need to allow sufficient lead time to enable us or our agent to prepare the requested certificate.

In addition, in a few special situations described below, a global security will be terminated and interests in it will be exchanged for certificates in non-global form representing the securities it represented. After that exchange, the choice of whether to hold the securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. We have described the rights of holders and street name investors above under "—Who Is the Legal Owner of a Registered Security?"

The special situations for termination of a global security are as follows:

- if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security and we do not appoint another institution to act as depositary within 60 days; or
- in the case of a global security representing debt securities or warrants issued under an indenture, if an event of default has occurred with regard to these debt securities or warrants and has not been cured or waived.

If a global security is terminated, only the depositary, and not we, the trustee for any debt securities or warrants or the warrant agent for any warrants, is responsible for deciding the names of the institutions in whose names the securities represented by the global security will be registered and, therefore, who will be the holders of those securities.

Considerations Relating to Euroclear and Clearstream

Euroclear and Clearstream are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

Euroclear and Clearstream may be depositaries for a global security. In addition, if DTC is the depositary for a global security, Euroclear and Clearstream may hold interests in the global security as participants in DTC.

As long as any global security is held by Euroclear or Clearstream as depositary, you may hold an interest in the global security only through an organization that participates, directly or indirectly, in Euroclear or Clearstream. If Euroclear or Clearstream is the depositary for a global security and there is no depositary in the United States, you will not be able to hold interests in that global security through any securities clearance system in the United States.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depositary, would also be subject to DTC's rules and procedures.

Special Timing Considerations for Transactions in Euroclear and Clearstream

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

1. UBS AG FI Enhanced Large Cap Growth ETN due June 19, 2024

Principal Terms:

Principal Amount: \$750,000,000

Issuer: UBS AG, London Branch

Initial Trade Date: June 10, 2014

Initial Settlement Date: June 13, 2014

Term: 10 years, subject to your right to receive payment for your Securities upon redemption, acceleration upon minimum indicative value or exercise by UBS of its call right.

Denomination/Principal Amount: \$100.00 per Security

Maturity Date: June 19, 2024, subject to adjustment

Underlying Index: The return on the Securities is linked to the Russell 1000 Growth Total Return Index. The level of the Index reflects both the price performance of the Index Constituent Securities and the reinvestment of dividends on the Index Constituent Securities.

Annual Tracking Rate: 0.85% per annum

Financing Spread: 0.44% per annum

Loss Rebalancing Fee: Upon each occurrence of a Loss Rebalancing Event, you will incur a 0.05% reduction in the LR Current Principal Amount of Your Securities and may also have a further reduction due to a breakage computation. See “General Terms of the Securities — Loss Rebalancing Event Upon Large Decreases in the Indicative Value” for the definition of the Loss Rebalancing Fee and all other defined pertaining to the Loss Rebalancing Event.

First Redemption Date: June 20, 2014 for Regular Redemptions, June 26, 2014 for Large Redemptions

Final Redemption Date: June 14, 2024

First Call Date: The first date that UBS may exercise its Call Right is June 15, 2015

Quarterly Initial Closing Level for the Initial Calendar Quarter: 826.0448, the Index Closing Level (as defined below) on the Initial Trade Date.

Quarterly Reset Dates: For each calendar quarter, the Quarterly Reset Date is the first Trading Day of that quarter beginning on October 1, 2014 and ending on April 1, 2024, subject to adjustment.

Quarterly Valuation Dates: For each Quarterly Reset Date, the Quarterly Valuation Date is the last Trading Day of the previous calendar quarter, beginning on September 30, 2014 and ending on March 28, 2024, subject to adjustment.

Floor Level: The “Floor Level” is equal to \$20.00 (subject to adjustment as described under “Valuation of the Index and the Securities — Split or Reverse Split of the Securities”).

Index Sponsor: Russell Investments, a subsidiary of Russell Investment Group (“Russell”).

Listing: The Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca under the symbol “FBGX”

Calculation Date: June 10, 2024, unless that day is not a Trading Day, in which case the Calculation Date will be the next Trading Day, subject to adjustment.

Index Symbol: RU10GRTR (NYSE and Bloomberg)

Intraday Indicative Value Symbol: FBGXIV (Bloomberg)

CUSIP No.: 902677780

ISIN No.: US9026777808

Valuation of the Index and the Securities

Intraday Index Values

On each Trading Day, the Index Sponsor will calculate and publish the intraday indicative value of the relevant Index at least every 15 seconds during normal trading hours on Bloomberg L.P. (“Bloomberg”) or any other publicly available information provider specified in “Principal Terms” above under a ticker symbol identified above. The actual relevant Index Closing Level may vary, and on a cumulative basis over the term of any series of the Securities may vary significantly, from the intraday indicative value of the Index.

The intraday indicative calculation of the level of the relevant Index will be provided for reference purposes only. Published calculations of the level of the relevant Index from the Index Sponsor may occasionally be subject to delay or postponement. Any such delays or postponements will affect the current level of the relevant Index and therefore the value of the affected series of Securities in the secondary market. The intraday indicative value of the relevant Index published at least every 15 seconds will be based on the intraday prices of the Index Constituent Securities.

Intraday Security Values

An intraday “indicative value” for each series of the Securities, meant to approximate the intrinsic economic value of that series of the Securities, will be calculated by the calculation agent specified in “Principal Terms” above and published to Bloomberg or any other publicly available information provider specified in “Principal Terms” above (or a successor) via the facilities on the Consolidated Tape Association under a symbol to be identified in “Principal Terms” above. In connection with your Securities, we use the term “indicative value” to refer to the value at a given time and date equal to (i) Current Principal Amount multiplied by the Index Factor calculated using the intraday indicative value of the relevant Index as of such time as the Index Valuation Level, minus (ii) the Accrued Fees as of such time and date, assuming such time and date is the Redemption Valuation Date.

The intraday indicative value calculation will be used to determine whether any series of the Securities will be accelerated, as discussed under “General Terms of the Securities — Acceleration Upon Minimum Indicative Value”. It is not intended as a price or quotation, or as an offer to solicitation for the purpose, sale, or termination of your Securities, nor will it reflect hedging or other transactional costs, credit considerations, market liquidity or bid-offer spreads. The levels of the relevant Index provided by the Index Sponsor specified in “Principal Terms” above will not necessarily reflect the depth and liquidity of the relevant Index Constituent Securities. For this reason and others, the actual trading price of the Securities of any series may be different from their indicative value.

The calculation of the intraday indicative value shall not constitute a recommendation or solicitation to conclude a transaction at the level stated, and should not be treated as giving investment advice.

The reporting of the intraday indicative value of any series of the Securities by Bloomberg or any other publicly available information provider specified in “Principal Terms” above may occasionally be subject to delay or postponement. The actual trading price of any series of the Securities may be different from their intraday indicative value. The intraday indicative value of any series of the Securities published at least every 15 seconds during the NYSE Arca’s Core Trading Session, which is currently from 9:30 a.m. to 4:00 p.m., New York City time, will be based on the intraday indicative values of the relevant Index, and may not be equal to the payment at maturity, early redemption, acceleration, or upon exercise by UBS of its call right.

These intraday indicative value calculations will be prepared as of a particular time and date and will therefore not reflect subsequent changes in market values or prices or in any other factors relevant to their determination.

Split or Reverse Split of the Securities

Should the Current Principal Amount of any series of Securities on any Trading Day be above \$400.00, we may, but are not obligated to, initiate a 4-for-1 split of your Securities. Should the Current Principal Amount on any Trading Day be below \$40.00, we may, but are not obligated to, initiate a 1-for-4 reverse split of your Securities. If the Current Principal Amount of a series of Securities is greater than \$400.00 or below \$40.00 on any Trading Day, and we decide to initiate a split or reverse split, as applicable, such date shall be deemed to be the “announcement date”, and we will issue a notice to holders of the relevant Securities and press release announcing the split or reverse split, specifying the effective date of the split or reverse split.

If the Securities undergo a split, we will adjust the terms of the Securities accordingly. If the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“DTC”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The record date for the split will be the tenth Business Day after the announcement date. The Current Principal Amount on such record date will be divided by four to reflect the 4:1 split of your Securities. Any adjustment of the Current Principal Amount will be rounded to eight decimal places. A corresponding adjustment will be made to the Floor Level for purposes of determining whether an Acceleration upon Minimum Indicative Value has occurred. For example, if the Securities undergo a 4:1 split, the Floor Level will be divided by 4. The split will become effective at the opening of trading of the Securities on the Business Day immediately following the record date.

In the case of a reverse split, we reserve the right to address odd numbers of Securities (commonly referred to as “partials”) in a manner determined by us in our sole discretion. If the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and adjustments will be made as described below. The record date for the reverse split will be on the tenth Business Day after the announcement date. The Current Principal Amount on such record date will be multiplied by four to reflect the 1:4 reverse split of your Securities. Any adjustment of the Current Principal Amount will be rounded to eight decimal places. A corresponding adjustment will be made to the Floor Level for purposes of determining whether an Acceleration upon Minimum Indicative Value has occurred. For example, if the securities undergo a 1:4 reverse split, the Floor Level will be multiplied by 4. The reverse split will become effective at the opening of trading of the Securities on the Business Day immediately following the record date.

Holders who own a number of Securities on the record date that is not evenly divisible by four will receive the same treatment as all other holders for the maximum number of Securities they hold which is evenly divisible by four, and we will have the right to compensate holders for their remaining or “partial” Securities in a manner determined by us in our sole discretion. Our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the closing indicative value of the reverse split-adjusted Securities on the 14th Business Day following the announcement date. For example, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4ths of the Current Principal Amount of the reverse split-adjusted Securities on the 14th Business Day following the announcement date.

General Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through DTC or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series A” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series A” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series A” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series A are described under “Medium-Term Notes, Series A” above. The terms described here supplement those described in “Medium-Term Notes, Series A” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

Interest or Coupons

We will not pay you any interest or coupons during the term of the Securities.

Payment at Maturity

The “Maturity Date” for each series of Securities will be the third Trading Day after the last Trading Day in the applicable Measurement Period, which we refer to in this section “— Payment at Maturity” as the “Final Measurement Period”. The scheduled Maturity Date is identified in “Principal Terms” above.

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the Final Measurement Period, minus
- (b) the Accrued Fees as of such last Trading Day.

If the amount calculated above is less than zero, the payment at maturity will be zero.

You may lose some or all of your initial investment at maturity. Because the Accrued Fees reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities of any series equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment.

The Accrued Fees will be calculated as of the last Trading Day in the Final Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The “Financing Level” is, as of any date of determination, an amount that equals the Current Principal Amount.

The “Accrued Financing Charge” as of the last Trading Day of the Final Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Final Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

On the Initial Trade Date, the Accrued Financing Charge for each Security will be \$0.

The “Accrued Tracking Fee” as of the last Trading Day in the Final Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Final Measurement Period *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Annual Tracking Rate” is a per annum rate described in “Principal Terms” above.

The “Current Indicative Value” is, as determined by the Calculation Agent as of any date of determination, an amount per Security of any series equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, calculated using the Index Closing Level on such date as the Index Valuation Level.

The “Principal Amount” of each Security is \$100.00. Each series of the Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Principal Amount.

For the Initial Calendar Quarter, the Current Principal Amount will equal \$100.00 per Security of the applicable series. For each subsequent calendar quarter, the Current Principal Amount for each Security of that series will be reset as follows on the Quarterly Reset Date:

$$\text{New Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable Quarterly Valuation Date} - \text{Accrued Fees on the applicable Quarterly Valuation Date}$$

If any series of the Securities undergoes a split or reverse split, the Current Principal Amount of that series will be adjusted accordingly.

For each calendar quarter, the “Quarterly Reset Date” is the first Trading Day of the quarter specified in “Principal Terms” above, subject to adjustment as described under “— Market Disruption Event”; provided, however, that no Quarterly Reset Date will occur on or after the Call Valuation Date or the Acceleration Date.

For each Quarterly Reset Date, the “Quarterly Valuation Date” is the last Trading Day of the previous calendar quarter subject to adjustment as described under “— Market Disruption Event”. The Quarterly Valuation Date is specified in “Principal Terms” above.

The Index Factor will be calculated as follows:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio on any Quarterly Valuation Date, any Redemption Valuation Date, or as of the last Trading Day in the applicable Measurement Period, as applicable, will be:

$$\frac{\text{Index Valuation Level} - \text{Quarterly Initial Closing Level}}{\text{Quarterly Initial Closing Level}}$$

The “Index Valuation Level” will equal the arithmetic mean of the Index Closing Levels measured on each Trading Day during the applicable Measurement Period, or the Index Closing Level on any Quarterly Valuation Date or any Redemption Valuation Date, as determined by the Calculation Agent, provided that:

- (1) for Regular Redemptions, if the Redemption Valuation Date falls in a Final Measurement Period, Call Measurement Period, or Acceleration Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on the Redemption Valuation Date during such Measurement Period shall equal (a) (i) for each elapsed Trading Day in the Measurement Period from and including the Call Valuation Date, Acceleration Date or Calculation Date, as applicable, to but excluding the Redemption Valuation Date (the “Applicable Date”), the sum of the Index Closing Levels on such Trading Day(s) *plus* (ii) the Index Closing Level on the Applicable Date *times* the number of remaining Trading Days in the Measurement Period from and including the Applicable Date *divided by* (b) the number of Trading Days in the Measurement Period; and
- (2) For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable.

Unless specified otherwise in “Principal Terms” above, the applicable “Measurement Period” means the five Trading Days from and including the Call Valuation Date, Acceleration Date, Redemption Valuation Date (for a Large Redemption) or the Calculation Date, as applicable, subject to adjustment as described under “General Terms of the Securities — Market Disruption Event”.

The “Quarterly Initial Closing Level” for the Initial Calendar Quarter is specified in “Principal Terms” above and will be the Index Closing Level on the applicable Initial Trade Date. For each subsequent calendar quarter, the Quarterly Initial Closing Level on the Quarterly Reset Date will equal the Index Closing Level on the Quarterly Valuation Date for the previous calendar quarter.

The “Index Closing Level” is, for any series of the Securities, the closing level of the relevant Index as published by the Index Sponsor.

The “Index Sponsor” will be the entity that calculates the level of the relevant Index is specified in “Principal Terms” above.

The “Calculation Date” is specified in “Principal Terms” above.

The “Current Indicative Value”, as determined by the Calculation Agent as of any date of determination, is an amount per Security equal to the product of (i) the Current Principal Amount and (ii) the Index Factor of such date, using the Index Closing Level of such date as the Index Valuation Level.

Unless specified otherwise in “Principal Terms” above, “Trading Day” means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the markets on which the Index Constituent Securities in the relevant Index are traded, in each case as determined by the Calculation Agent.

Early Redemption at the Option of the Holders

You may elect to require UBS to redeem your Securities, subject to a minimum redemption amount of at least 12,500 Securities of the same series. If you elect to have your Securities redeemed and have done so under the redemption procedures described below under “—Redemption Procedures”, you will receive payment for your Securities on the Redemption Date. The first and final Redemption Dates are specified in “Principal Terms” above. For any early redemptions, the applicable “Redemption Valuation Date” means the first Trading Day following the date on which you deliver a redemption notice to UBS in compliance with the redemption procedures. For any Large Redemption (as defined below), the Redemption Valuation Date will be the first Trading Day in the applicable Large Redemption Measurement Period. If a Redemption Valuation Date for a Large Redemption occurs during an Acceleration Measurement Period, Call Measurement Period or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable.

To satisfy the minimum redemption amount of 12,500 Securities, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 12,500 Securities of the same series; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 12,500 Securities of any series. **Any such reduction will be applied on a consistent basis for all holders of the Securities of the affected series at the time** the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the corresponding Redemption Valuation Date (or the last Trading Day in the applicable Large Redemption Measurement Period for a Large Redemption), or if such third day is not a Business Day, the next following Business Day (the “Redemption Date”). In addition, if a call notice has been issued, if acceleration has been triggered, or the Final Measurement Period has commenced, in each case with respect to any series of the Securities, for Regular Redemptions the last permitted Redemption Valuation Date for that series of Securities will be the second Trading Day in the applicable Call Measurement Period, Acceleration Measurement Period, or the Final Measurement Period, as applicable. For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable and the Redemption Date will be the third Business Day following the last Trading Day in the applicable Measurement Period. Any applicable Redemption Valuation Date is subject to adjustment as described under “—Market Disruption Event”.

A “Regular Redemption” means an early redemption of Securities of a given series in an amount greater than or equal to the minimum redemption amount of 12,500 Securities but less than the large redemption amount of 2,000,000 Securities.

A “Large Redemption” means an early redemption of Securities of a given series in an amount equal to or greater than 2,000,000 Securities. For purposes of determining whether an early redemption is a Regular Redemption or a Large Redemption, UBS will aggregate all redemption requests received prior to 12:00 noon (New York City time) on a given Trading Day.

Regular Redemptions

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Regular Redemption, subject to your compliance with the procedures described under “—Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the applicable Redemption Valuation Date, minus
- (b) the Accrued Fees as of such Redemption Valuation Date, minus
- (c) the Redemption Fee.

Large Redemptions

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Large Redemption, subject to your compliance with the procedures described under “—Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section “—Early Redemption at the Option of the Holders” as the “Large Redemption Measurement Period”, minus
- (b) the Accrued Fees as of such last Trading Day, minus
- (c) the Redemption Fee.

We refer to the cash payments described above as the “Redemption Amount”.

If the amount calculated above is less than zero, the payment upon early redemption will be zero. We will inform you of such Redemption Amount two Business Days preceding the applicable Redemption Date.

You may lose some or all of your initial investment upon early redemption. Because the Accrued Fees and the Redemption Fee reduce your final payment, the quarterly compounded leveraged return of the Index will need to be sufficient to offset the negative effect of the Accrued Fees and the Redemption Fee, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to your initial investment in the Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset such a negative effect or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment upon early redemption.

The Accrued Fees will be calculated as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) as the sum of (i) the Accrued Tracking Fee as of such date and (ii) the Accrued Financing Charge as of such date.

The “Accrued Tracking Fee” as of any Redemption Valuation Date is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Redemption Valuation Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Accrued Financing Charge” as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Redemption Valuation Date or last Trading Day of the applicable Large Measurement Period occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period), and the denominator of which is 360, and (c) the Financing Rate.

The “Redemption Fee” means, as of any date of determination for a series of Securities, an amount per Security equal to the product of (a) 0.125%, (b) the Current Principal Amount and (c) the Index Factor as of the applicable Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period).

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment”.

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner. Any series of Securities may trade at, above, or below its indicative value.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon (New York City time) on the Trading Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date (or the applicable last Trading Day in the Large Redemption Measurement Period for Large Redemptions) at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities of any series upon not less than eighteen calendar days’ prior notice to the holders of the Securities of that series, such redemption to occur on any Trading Day specified in “Principal Terms” above through and including the Calculation Date specified in “Principal Terms” above. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section “— UBS’s Call Right” as the “Call Measurement Period”, minus
- (b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the “Call Settlement Amount”.

If the amount calculated above is less than zero, the payment upon UBS’s exercise of its call right will be zero.

If UBS issues a call notice on any Trading Day, the “Call Valuation Date” will be the fifth Trading Day following the Trading Day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Trading Day in the Call Measurement Period.

The holders will receive payment for their Securities on a date that is at least three, but not greater than six, Trading Days following the last Trading Day in the Call Measurement Period (the “Call Settlement Date”). We will inform you of such Call Settlement Date in the call notice. If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

You may lose some or all of your initial investment at call. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment at call.

The Accrued Fees will be calculated as of the last Trading Day in the Call Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The “Accrued Tracking Fee” as of the last Trading Day in the Call Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including such Call Valuation Date *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Accrued Financing Charge” as of the last Trading Day of the Call Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Call Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

Acceleration Upon Minimum Indicative Value

If, at any time, the indicative value for any series of the Securities on any Trading Day equals the Floor Level or less (such day, an “Acceleration Date”), all issued and outstanding Securities of that series will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value of that series would later exceed the Floor Level on such Acceleration Date or any subsequent Trading Day during the applicable Measurement Period, which we refer to in this section “— Acceleration Upon Minimum Indicative Value” as the “Acceleration Measurement Period”) for a cash payment equal to

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day of the Acceleration Measurement Period, minus
- (b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the “Acceleration Amount”. The “Floor Level” of any series of the Securities will be specified in “Principal Terms” above. If any series of the Securities undergoes a split or reverse split, the Floor Level of that series will be adjusted accordingly. If the minimum indicative value threshold of any series of Securities has been breached, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in that series of Securities.

You may lose some or all of your initial investment upon an acceleration upon minimum indicative value. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose some or all of your investment upon an acceleration upon minimum indicative value.

The Accrued Fees will be calculated as of any date of determination for any series of Securities as the sum of (i) the Accrued Tracking Fee as of the last Trading Day of the Acceleration Measurement Period and (ii) the Accrued Financing Charge as of the last Trading Day of the Acceleration Measurement Period.

The “Accrued Tracking Fee” as of the last Trading Day of the Acceleration Measurement Period will be an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Acceleration Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including, such last Trading Day in such Measurement Period, as applicable, *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Accrued Financing Charge” as of the last Trading Day of the Acceleration Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Acceleration Date occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such last Trading Day of such Measurement Period as applicable, and the denominator of which is 360, and (c) the Financing Rate.

The “Acceleration Settlement Date” will be the third Trading Day following the last Trading Day of the Acceleration Measurement Period.

Subject to the prior verification by the Calculation Agent that the indicative value of equal or less than the Floor Level was accurately calculated by the relevant calculation agent specified in “Principal Terms” above and in each case with respect to a series of Securities, UBS must provide notice to the holders of that series of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the intraday indicative value of the Securities is calculated see “Valuation of the Index and the Securities”.

Loss Rebalancing Event Upon Large Decreases in the Indicative Value

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee, as defined below.

A “Loss Rebalancing Event” means if, at any time, the closing indicative value for any series of the Securities on any Trading Day decreases 40% in value from the closing indicative value of that series of the Securities on the previous Quarterly Valuation Date. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

With respect to a Loss Rebalancing Event, the “LR Valuation Date” is the first Trading Day following a Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event”.

With respect to a LR Valuation Date, the “LR Reset Date” is the first Trading Day following a LR Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

On the LR Reset Date, the Current Principal Amount for each Security of that series will be reset as follows:

$$\text{New Current Principal Amount} = 99.995\% \times \text{LR Current Principal Amount.}$$

$$\text{LR Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable LR Valuation Date} - \text{Accrued Fees on the applicable LR Valuation Date.}$$

If the amount calculated above is less than zero, the payment at maturity will be zero.

On the LR Reset Date, the LR Current Principal Amount will be reset exactly like the “New Current Principal Amount” on a Quarterly Reset Date, except that:

- (1) the LR Reset Date will be the Quarterly Reset Date;
- (2) the Index Factor and Index Performance Ratio will be calculated on the LR Valuation Date;
- (3) the Index Valuation Level for purposes of calculating the Index Performance Ratio will be computed using the Index Closing Level on the LR Valuation Date;
- (4) for the next reset date, the Quarterly Initial Closing Level on the applicable reset date will equal the Index Closing Level on the LR Valuation Date;
- (5) Accrued Fees (the Accrued Tracking Fees and Accrued Financing Charge) will be computed as of the LR Valuation Date as if the LR Valuation Date was a Quarterly Valuation Date; and
- (6) the Financing Level will be reduced the new Current Principal Amount.

The Financing Rate will remain constant until the next Quarterly Reset Date, *provided however* that if the reset date financing rate (determined in accordance with the definition of “Financing Rate” two London business days preceding LR Valuation Date and referred to as “L2”) is less than the actual Financing Rate (“L1”), the Current Principal Amount will be further reduced by an amount equal to:

$(L1-L2) \times (\text{Current Principal Amount} - \text{New Current Principal Amount}) \times (\text{the days remaining in the quarter from and excluding the LR Valuation Date to and including the next Quarterly Valuation Date}) \text{ divided by } 360.$

Note that each time a Loss Rebalancing Event occurs, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities and you also may have a further reduction due to the breakage computation in the preceding proviso. We will refer to these reductions as a “Loss Rebalancing Fee”.

Loss Rebalancing Events can occur multiple times. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Each Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that your Securities will entitle you to less of a positive gain in value relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee. This fee will reduce the amount of your return (or increase your loss) on the Maturity Date, early redemption, acceleration or exercise by UBS of its call right.

Calculation Agent

UBS Securities LLC will act as the Calculation Agent. The Calculation Agent will determine, among other things, the Index Valuation Level, the Index Performance Ratio, the Index Factor, the Current Principal Amount, the Current Indicative Value, the Accrued Fees, the Accrued Financing Charge, the Financing Level, the Financing Rate, the Accrued Tracking Fee, the Redemption Fee, if any, the Loss Rebalancing Fee, if any, the payment at maturity, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, if any, that we will pay you on the Call Settlement Date, if applicable, or the Acceleration Amount, if any, that we will pay you on the Acceleration Settlement Date, if applicable, based on the relevant Index levels calculated by the Calculation Agent, as adjusted, and whether any day is a Business Day or Trading Day. The Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the relevant Index has been discontinued or is otherwise unavailable and whether there has been a material change in the relevant Index. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent for any series of the Securities and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Calculation Agent for any series of the Securities from time to time without your consent and without notifying you.

The Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, early redemption, acceleration, or upon exercise by UBS of its call right on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, the Acceleration Settlement Date or the Call Settlement Date, as applicable.

All dollar amounts related to determination amounts payable per Security for any series of Securities will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of such Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the relevant Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing (the “Deferred Averaging Date”) with respect to the relevant Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the relevant Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

If the Redemption Valuation Date, for purposes of calculating a Redemption Amount for a Regular Redemption, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount. If a Market Disruption Event occurs on any Quarterly Valuation Date, or LR Valuation Date, the Index Closing Level for such date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date, Quarterly Valuation Date, the Redemption Valuation Date, or LR Valuation Date, as applicable, occurring more than eight Trading Days following the day originally scheduled to be such final Averaging Date or other applicable date. If the eighth Trading Day following the date originally scheduled to be the final Averaging Date, Quarterly Valuation Date, Redemption Valuation Date, or LR Valuation Date, as applicable, a Market Disruption Event has occurred or is continuing with respect to the relevant Index on such eighth Trading Day, the Calculation Agent or one of its affiliates will determine the Index Closing Level based on its estimate of the Index Closing Level that would have prevailed on such eighth Trading Day but for such Market Disruption Event. If any Quarterly Valuation Date or LR Valuation Date is postponed as described above, the succeeding Quarterly Reset Date or LR Reset Date will occur on the next Trading Day following the postponed Quarterly Valuation Date or LR Valuation Date, as applicable.

An “Averaging Date” means each of the Trading Day(s) during any Measurement Period, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent’s discretion, constitute a Market Disruption Event with respect to the relevant Index, the Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the relevant Index, in each case as determined by the Calculation Agent:

- (a) suspension, absence or material limitation of trading in a material number of the Index Constituent Securities for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the relevant Index or to a material number of Index Constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;
- (c) the relevant Index is not published; or
- (d) in any other event, if the Calculation Agent determines that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the relevant Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- (b) a decision to permanently discontinue trading in the options or futures contracts relating to the relevant Index or any Index Constituent equity interests.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the relevant Index or any Index Constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Discontinuance of or Adjustments to the Relevant Index; Alteration of Method of Calculation

If the Index Sponsor or another entity that publishes the Index discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, and the Index Sponsor or such other entity publishes a successor or substitute index that the Calculation Agent determines to be comparable to the discontinued relevant Index (such index being referred to herein as a “Successor Index”), then the Index Closing Level for such Successor Index will be determined by the Calculation Agent by reference to the Successor Index on the dates and at the times as of which the Index Closing Levels for such Successor Index are to be determined.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, prior to, and such discontinuation or unavailability is continuing on, any Quarterly Valuation Date, any Averaging Date, any Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined and the Calculation Agent determines that no Successor Index is available at such time, or the Calculation Agent has previously selected a Successor Index and publication of such Successor Index is discontinued prior to, and such discontinuation is continuing on any relevant date on which the Index Closing Level is to be determined, then the Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index Constituent Security included in the relevant Index or Successor Index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the relevant Index or Successor Index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the relevant Index or a Successor Index, or the value thereof, is changed in a material respect, or if the relevant Index or a Successor Index is in any other way modified so that the level of the relevant Index or such Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the relevant Index or such Successor Index had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as, in the judgment of the Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the relevant Index or such Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the levels for the relevant Index or such Successor Index with reference to the relevant Index or such Successor Index, as adjusted. The Calculation Agent will accordingly calculate the relevant Index levels, Accrued Fees and the Redemption Fee and/or the Loss Rebalancing Fees, if applicable, based on the Index levels calculated by the Calculation Agent, as adjusted. Accordingly, if the method of calculating the relevant Index or a Successor Index is modified so that the level of the relevant Index or such Successor Index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the relevant Index), which, in turn, causes the level of the relevant Index or such Successor Index to be a fraction of what it would have been if there had been no such modification, then the Calculation Agent will make such calculations and adjustments in order to arrive at a level for the relevant Index or such Successor Index as if it had not been modified (*e.g.*, as if such split had not occurred).

Redemption Price Upon Optional Tax Redemption

We have the right to redeem any series of the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of that series of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

Default Amount on Acceleration

If an event of default occurs and the maturity of any series of the Securities is accelerated, we will pay the default amount in respect of the principal of the that series of Securities at maturity. We describe the default amount below under “— Default Amount”.

For the purpose of determining whether the holders of our Medium-Term Notes, Series A are entitled to take any action under the indenture, we will treat the outstanding principal amount of each series of Securities as the outstanding principal amount of the Medium-Term Notes, Series A constituted by that series of Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series A, holders of specified percentages in principal amount of all Medium-Term Notes, Series A, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series A, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series A, accelerating the maturity of the Medium-Term Notes, Series A after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium Term Notes, Series A” under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants”.

Default Amount

The default amount for any series of the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities of the accelerated series. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities of the accelerated series, which we describe below, the holders of that series of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or

- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, early redemption, acceleration or upon exercise by UBS of its call right will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Medium Term Notes, Series A" under "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities".

Defeasance

Neither full defeasance nor covenant defeasance, as described in "Medium Term Notes, Series A" under "Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance", will apply to the Securities.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue any series of the Securities. We intend to issue the Securities initially in an amount having the aggregate offering price specified in "Principal Terms" above. However, we may issue additional Securities in amounts that exceed the amount specified in "Principal Terms" above at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other Securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Medium Term Notes, Series A" under "Description of Debt Securities We May Offer — Amounts That We May Issue".

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of any series and will have the same CUSIP number and will trade interchangeably with that series of the Securities immediately upon settlement. Any additional issuances will increase the aggregate Principal Amount of the outstanding Securities of the class, plus the aggregate Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

Additional Terms of the Securities

The general terms of the Securities described above are modified by the specific definitions and terms below.

"Intraday Indicative Value" means the approximate intrinsic economic value of the Securities calculated by NYSE Arca, Inc. and published on Bloomberg (based in part on information provided by the Index Sponsor) or a successor via the facilities on the Consolidated Tape Association under the symbol "FBGXIV".

"Trading Day" means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the Primary Exchanges on which the Index Constituent Securities are traded, in each case as determined by the Calculation Agent.

“Primary Exchange” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading for such Index Constituent Security or such constituent underlying a successor index.

2. UBS AG FI Enhanced Europe 50 ETN due February 12, 2026

Principal Terms:

Principal Amount: \$500,000,000

Issuer: UBS AG, London Branch

Initial Trade Date: February 12, 2016

Initial Settlement Date: February 18, 2016

Term: 10 years, subject to your right to receive payment for your Securities upon redemption, acceleration upon minimum indicative value or exercise by UBS of its call right, each as described below.

Denomination/Principal Amount: \$100.00 per Security

Maturity Date: February 12, 2026, subject to adjustment

Underlying Index: The return on the Securities is linked to the STOXX Europe 50[®] USD (Gross Return) Index. The level of the Index reflects both the price performance of the Index Constituent Securities and the reinvestment of dividends on the Index Constituent Securities. The level of the Underlying Index is published approximately every 15 seconds from 3:00 a.m. to 12:00 p.m., New York City time, and a daily Index Closing Level is published at approximately 12:00 p.m., New York City time, on each Trading Day.

Annual Tracking Rate: 0.95% per annum

Financing Spread: 1.00% per annum

Loss Rebalancing Fee: Upon each occurrence of a Loss Rebalancing Event, you will incur a 0.05% reduction in the LR Current Principal Amount of Your Securities and may also have a further reduction due to a breakage computation. See “— Loss Rebalancing Event Upon Large Decreases in the Indicative Value”.

First Redemption Date: February 25, 2016 for Regular Redemptions, March 2, 2016 for Large Redemptions

Final Redemption Date: February 9, 2026

First Call Date: The first date that UBS may exercise its Call Right is February 21, 2017 Quarterly Initial Closing Level for the Initial Calendar Quarter: 1,191.12, the Index Closing Level (as defined below) on the Initial Trade Date.

Quarterly Reset Dates: For each calendar quarter, the Quarterly Reset Date is the first Trading Day of that quarter beginning on April 1, 2016 and ending on January 2, 2026, subject to adjustment.

Quarterly Valuation Dates: For each Quarterly Reset Date, the Quarterly Valuation Date is the last Trading Day of the previous calendar quarter, beginning on March 31, 2016 and ending on December 31, 2025, subject to adjustment.

Floor Level: The “Floor Level” is equal to \$20.00 (subject to adjustment as described under “Valuation of the Index and the Securities — Split or Reverse Split of the Securities”).

Index Sponsor: STOXX Limited (“STOXX”), a company owned by Deutsche Börse AG.

Listing: The Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca under the symbol “FIEE.”

Calculation Date: February 3, 2026, unless that day is not a Trading Day, in which case the Calculation Date will be the next Trading Day, subject to adjustment.

Index Symbol: SX5PGV (NYSE and Bloomberg)

Intraday Indicative Value Symbol: FIEEIV (Bloomberg)

CUSIP No.: 90274D234

ISIN No.: US90274D2348

General Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through DTC or another depositary. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

We describe the general terms of the Securities in more detail below.

Interest or Coupons

We will not pay you any interest or coupons during the term of the Securities.

Payment at Maturity

The “Maturity Date” for each series of Securities will be the third Trading Day after the last Trading Day in the applicable Measurement Period, which we refer to in this section “— Payment at Maturity” as the “Final Measurement Period”. The scheduled Maturity Date is identified in “Principal Terms” above.

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the Final Measurement Period, minus
- (b) the Accrued Fees as of such last Trading Day.

If the amount calculated above is less than zero, the payment at maturity will be zero.

You may lose all or a substantial portion of your investment at maturity. Because the Accrued Fees reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities of any series equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment.

The Accrued Fees will be calculated as of the last Trading Day in the Final Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The “Financing Level” is, as of any date of determination, an amount that equals the Current Principal Amount.

The “Accrued Financing Charge” as of the last Trading Day of the Final Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Final Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

On the Initial Trade Date, the Accrued Financing Charge for each Security will be \$0.

The “Accrued Tracking Fee” as of the last Trading Day in the Final Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Final Measurement Period *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Annual Tracking Rate” is a per annum rate described in “Principal Terms” above.

The “Current Indicative Value” is, as determined by the Calculation Agent as of any date of determination, an amount per Security of any series equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, calculated using the Index Closing Level on such date as the Index Valuation Level.

The “Principal Amount” of each Security is \$100.00. Each series of the Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Principal Amount.

For the Initial Calendar Quarter, the Current Principal Amount will equal \$100.00 per Security of the applicable series. For each subsequent calendar quarter, the Current Principal Amount for each Security of that series will be reset as follows on the Quarterly Reset Date:

$$\text{New Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable Quarterly Valuation Date} - \text{Accrued Fees on the applicable Quarterly Valuation Date}$$

If any series of the Securities undergoes a split or reverse split, the Current Principal Amount of that series will be adjusted accordingly.

For each calendar quarter, the “Quarterly Reset Date” is the first Trading Day of the quarter specified in “Principal Terms” above, subject to adjustment as described under “— Market Disruption Event”; provided, however, that no Quarterly Reset Date will occur on or after the Call Valuation Date or the Acceleration Date.

For each Quarterly Reset Date, the “Quarterly Valuation Date” is the last Trading Day of the previous calendar quarter subject to adjustment as described under “— Market Disruption Event”. The Quarterly Valuation Date is specified in “Principal Terms” above .

The Index Factor will be calculated as follows:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio on any Quarterly Valuation Date, any Redemption Valuation Date, or as of the last Trading Day in the applicable Measurement Period, as applicable, will be:

$$\frac{\text{Index Valuation Level} - \text{Quarterly Initial Closing Level}}{\text{Quarterly Initial Closing Level}}$$

The “Index Valuation Level” will equal the arithmetic mean of the Index Closing Levels measured on each Trading Day during the applicable Measurement Period, or the Index Closing Level on any Quarterly Valuation Date or any Redemption Valuation Date, as determined by the Calculation Agent, provided that:

- (1) for Regular Redemptions, if the Redemption Valuation Date falls in a Final Measurement Period, Call Measurement Period, or Acceleration Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on the Redemption Valuation Date during such Measurement Period shall equal (a) (i) for each elapsed Trading Day in the Measurement Period from and including the first Trading Day in such Measurement Period to but excluding the Redemption Valuation Date (the “Applicable Date”), the sum of the Index Closing Levels on such Trading Day(s) plus (ii) the Index Closing Level on the Applicable Date times the number of remaining Trading Days in the Measurement Period from and including the Applicable Date *divided by* (b) the number of Trading Days in the Measurement Period; and
- (2) For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable.

Unless specified otherwise in “Principal Terms” above, the applicable “Measurement Period” means the five Trading Days from and including the Call Valuation Date, Acceleration Date, Redemption Valuation Date (for a Large Redemption) or the Calculation Date, as applicable, subject to adjustment as described under “— Market Disruption Event”.

The “Quarterly Initial Closing Level” for the Initial Calendar Quarter is specified in “Principal Terms” above and will be the Index Closing Level on the applicable Initial Trade Date. For each subsequent calendar quarter, the Quarterly Initial Closing Level on the Quarterly Reset Date will equal the Index Closing Level on the Quarterly Valuation Date for the previous calendar quarter.

The “Index Closing Level” is, for any series of the Securities, the closing level of the relevant Index as published by the Index Sponsor.

The “Index Sponsor” will be the entity that calculates the level of the relevant Index is specified in “Principal Terms” above.

Unless specified otherwise in “Principal Terms” above, “Trading Day” means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the markets on which the Index Constituent Securities in the relevant Index are traded, in each case as determined by the Calculation Agent.

Early Redemption at the Option of the Holders

You may elect to require UBS to redeem your Securities, subject to a minimum redemption amount of at least 12,500 Securities of the same series. If you elect to have your Securities redeemed and have done so under the redemption procedures described below under “—Redemption Procedures”, you will receive payment for your Securities on the Redemption Date. The first and final Redemption Dates are specified in “Principal Terms” above. For any early redemptions, the applicable “Redemption Valuation Date” means the first Trading Day following the date on which you deliver a redemption notice to UBS in compliance with the redemption procedures. For any Large Redemption (as defined below), the Redemption Valuation Date will be the first Trading Day in the applicable Large Redemption Measurement Period. If a Redemption Valuation Date for a Large Redemption occurs during an Acceleration Measurement Period, Call Measurement Period or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement or payment at maturity, as applicable.

To satisfy the minimum redemption amount of 12,500 Securities, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 12,500 Securities of the same series; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 12,500 Securities of any series. Any such reduction will be applied on a consistent basis for all holders of the Securities of the affected series at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the corresponding Redemption Valuation Date (or the last Trading Day in the applicable Large Redemption Measurement Period for a Large Redemption), or if such third day is not a Business Day, the next following Business Day (the “Redemption Date”). In addition, if a call notice has been issued, if acceleration has been triggered, or the Final Measurement Period has commenced, in each case with respect to any series of the Securities, for Regular Redemptions the last permitted Redemption Valuation Date for that series of Securities will be the fourth Trading Day in the applicable Call Measurement Period, Acceleration Measurement Period, or the Final Measurement Period, as applicable. For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable and the Redemption Date will be the third Business Day following the last Trading Day in the applicable Measurement Period. Any applicable Redemption Valuation Date is subject to adjustment as described under “— Market Disruption Event”.

A “Regular Redemption” means an early redemption of Securities of a given series in an amount greater than or equal to the minimum redemption amount of 12,500 Securities but less than the large redemption amount of 2,000,000 Securities.

A “Large Redemption” means an early redemption of Securities of a given series in an amount equal to or greater than 2,000,000 Securities. For purposes of determining whether an early redemption is a Regular Redemption or a Large Redemption, UBS will aggregate all redemption requests received prior to 12:00 noon (New York City time) on a given Trading Day.

Regular Redemptions

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Regular Redemption, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the applicable Redemption Valuation Date, minus
- (b) the Accrued Fees as of such Redemption Valuation Date, minus
- (c) the Redemption Fee.

Large Redemptions

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Large Redemption, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section “—Early Redemption at the Option of the Holders” as the “Large Redemption Measurement Period”, minus
- (b) the Accrued Fees as of such last Trading Day, minus
- (c) the Redemption Fee.

We refer to the cash payments described above as the “Redemption Amount”.

If the amount calculated above is less than zero, the payment upon early redemption will be zero. We will inform you of such Redemption Amount two Business Days preceding the applicable Redemption Date.

You may lose all or a substantial portion of your investment upon early redemption. Because the Accrued Fees and the Redemption Fee reduce your final payment, the quarterly compounded leveraged return of the Index will need to be sufficient to offset the negative effect of the Accrued Fees, the Redemption Fee and/or Loss Redemption Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to your initial investment in the Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset such a negative effect or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon early redemption.

The Accrued Fees will be calculated as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) as the sum of (i) the Accrued Tracking Fee as of such date and (ii) the Accrued Financing Charge as of such date.

The “Accrued Tracking Fee” as of any Redemption Valuation Date is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Redemption Valuation Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Accrued Financing Charge” as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Redemption Valuation Date or last Trading Day of the applicable Large Measurement Period occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period), and the denominator of which is 360, and (c) the Financing Rate.

The “Redemption Fee” means, as of any date of determination for a series of Securities, an amount per Security equal to the product of (a) 0.125%, (b) the Current Principal Amount and (c) the Index Factor as of the applicable Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period).

We discuss these matters in “Medium Term Notes, Series B” under “Description of Debt Securities We May Offer — Redemption and Repayment”.

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner. Any series of Securities may trade at, above, or below its indicative value.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon (New York City time) on the Trading Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date (or the applicable last Trading Day in the Large Redemption Measurement Period for Large Redemptions) at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities of any series upon not less than eighteen calendar days’ prior notice to the holders of the Securities of that series, such redemption to occur on any Trading Day specified in “Principal Terms” above through and including the Calculation Date specified in “Principal Terms” above. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section “— UBS’s Call Right” as the “Call Measurement Period”, minus
- (b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the “Call Settlement Amount”.

If the amount calculated above is less than zero, the payment upon UBS’s exercise of its call right will be zero.

If UBS issues a call notice on any Trading Day, the “Call Valuation Date” will be the fifth Trading Day following the Trading Day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Trading Day in the Call Measurement Period.

The holders will receive payment for their Securities on a date that is at least three, but not greater than six, Trading Days following the last Trading Day in the Call Measurement Period (the “Call Settlement Date”). We will inform you of such Call Settlement Date in the call notice. If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

You may lose all or a substantial portion of your investment at call. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment at call.

The Accrued Fees will be calculated as of the last Trading Day in the Call Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The “Accrued Tracking Fee” as of the last Trading Day in the Call Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Call Measurement Period *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The “Accrued Financing Charge” as of the last Trading Day of the Call Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Call Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

Acceleration Upon Minimum Indicative Value

If, at any time, the indicative value for any series of the Securities on any Trading Day equals the Floor Level or less (such day, an “Acceleration Date”), all issued and outstanding Securities of that series will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value of that series would later exceed the Floor Level on such Acceleration Date or any subsequent Trading Day during the applicable Measurement Period, which we refer to in this section “— Acceleration Upon Minimum Indicative Value” as the “Acceleration Measurement Period”) for a cash payment equal to

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day of the Acceleration Measurement Period, minus
- (b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the “Acceleration Amount”. The “Floor Level” of any series of the Securities will be specified in “Principal Terms” above. If any series of the Securities undergoes a split or reverse split, the Floor Level of that series will be adjusted accordingly. If the minimum indicative value threshold of any series of Securities has been breached, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in that series of Securities.

You may lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value.

The Accrued Fees will be calculated as of any date of determination for any series of Securities as the sum of (i) the Accrued Tracking Fee as of the last Trading Day of the Acceleration Measurement Period and (ii) the Accrued Financing Charge as of the last Trading Day of the Acceleration Measurement Period.

The “Accrued Tracking Fee” as of the last Trading Day of the Acceleration Measurement Period will be an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Acceleration Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including, such last Trading Day in such Measurement Period, as applicable, *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The “Accrued Financing Charge” as of the last Trading Day of the Acceleration Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Acceleration Date occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such last Trading Day of such Measurement Period as applicable, and the denominator of which is 360, and (c) the Financing Rate.

The “Acceleration Settlement Date” will be the third Trading Day following the last Trading Day of the Acceleration Measurement Period.

Subject to the prior verification by the Calculation Agent that the indicative value of equal or less than the Floor Level was accurately calculated by the relevant calculation agent specified in “Principal Terms” above and in each case with respect to a series of Securities, UBS must provide notice to the holders of that series of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the intraday indicative value of the Securities is calculated see “Valuation of the Index and the Securities”.

Loss Rebalancing Event Upon Large Decreases in the Indicative Value

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee, as defined below.

A “Loss Rebalancing Event” means if, at any time, the closing indicative value for any series of the Securities on any Trading Day decreases 40% in value from the closing indicative value of that series of the Securities on the previous Quarterly Valuation Date. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

With respect to a Loss Rebalancing Event, the “LR Valuation Date” is the first Trading Day following a Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event”.

With respect to a LR Valuation Date, the “LR Reset Date” is the first Trading Day following a LR Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

On the LR Reset Date, the Current Principal Amount for each Security of that series will be reset as follows:

$$\text{New Current Principal Amount} = 99.995\% \square \text{LR Current Principal Amount.}$$

$$\text{LR Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable LR Valuation Date} - \text{Accrued Fees on the applicable LR Valuation Date.}$$

If the amount calculated above is less than zero, the payment at maturity will be zero.

On the LR Reset Date, the LR Current Principal Amount will be reset exactly like the “New Current Principal Amount” on a Quarterly Reset Date, except that:

- (1) the LR Reset Date will be the Quarterly Reset Date;
- (2) the Index Factor and Index Performance Ratio will be calculated on the LR Valuation Date;
- (3) the Index Valuation Level for purposes of calculating the Index Performance Ratio will be computed using the Index Closing Level on the LR Valuation Date;
- (4) for the next reset date, the Quarterly Initial Closing Level on the applicable reset date will equal the Index Closing Level on the LR Valuation Date;
- (5) Accrued Fees (the Accrued Tracking Fees and Accrued Financing Charge) will be computed as of the LR Valuation Date as if the LR Valuation Date was a Quarterly Valuation Date; and
- (6) the Financing Level will be reduced to equal the new Current Principal Amount.

The Financing Rate will remain constant until the next Quarterly Reset Date, *provided however* that if the reset date financing rate (determined in accordance with the definition of “Financing Rate” two London business days preceding LR Valuation Date and referred to as “L2”) is less than the actual Financing Rate (“L1”), the Current Principal Amount will be further reduced by an amount equal to:

$$(L1-L2) \times (\text{Current Principal Amount} - \text{New Current Principal Amount}) \square (\text{the days remaining in the quarter from and excluding the LR Valuation Date to and including the next Quarterly Valuation Date}) \text{ divided by } 360.$$

Note that each time a Loss Rebalancing Event occurs, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities and you also may have a further reduction due to the breakage computation in the preceding proviso. We will refer to these reductions as a “Loss Rebalancing Fee”.

Loss Rebalancing Events can occur multiple times. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Each Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that your Securities will entitle you to less of a positive gain in value relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee. This fee will reduce the amount of your return (or increase your loss) on the Maturity Date, early redemption, acceleration or exercise by UBS of its call right.

Calculation Agent

UBS Securities LLC will act as the Calculation Agent. The Calculation Agent will determine, among other things, the Index Valuation Level, the Index Performance Ratio, the Index Factor, the Current Principal Amount, the Current Indicative Value, the Accrued Fees, the Accrued Financing Charge, the Financing Level, the Financing Rate, the Accrued Tracking Fee, the Redemption Fee, if any, the Loss Rebalancing Fee, if any, the payment at maturity, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, if any, that we will pay you on the Call Settlement Date, if applicable, or the Acceleration Amount, if any, that we will pay you on the Acceleration Settlement Date, if applicable, based on the relevant Index levels calculated by the Calculation Agent, as adjusted, and whether any day is a Business Day or Trading Day. The Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the relevant Index has been discontinued or is otherwise unavailable and whether there has been a material change in the relevant Index. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent for any series of the Securities and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Calculation Agent for any series of the Securities from time to time without your consent and without notifying you.

The Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, early redemption, acceleration, or upon exercise by UBS of its call right on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, the Acceleration Settlement Date or the Call Settlement Date, as applicable.

All dollar amounts related to determination amounts payable per Security for any series of Securities will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of such Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the relevant Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing (the "Deferred Averaging Date") with respect to the relevant Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the relevant Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

If the Redemption Valuation Date, for purposes of calculating a Redemption Amount for a Regular Redemption, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount. If a Market Disruption Event occurs on any Quarterly Valuation Date or LR Valuation Date, the Index Closing Level for such date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date, Quarterly Valuation Date, the Redemption Valuation Date, or LR Valuation Date, as applicable, occurring more than eight Trading Days following the day originally scheduled to be such final Averaging Date or other applicable date. If the eighth Trading Day following the date originally scheduled to be the final Averaging Date, Quarterly Valuation Date, Redemption Valuation Date, or LR Valuation Date, as applicable, a Market Disruption Event has occurred or is continuing with respect to the relevant Index on such eighth Trading Day, the Calculation Agent or one of its affiliates will determine the Index Closing Level based on its estimate of the Index Closing Level that would have prevailed on such eighth Trading Day but for such Market Disruption Event. If any Quarterly Valuation Date or LR Valuation Date is postponed as described above, the succeeding Quarterly Reset Date or LR Reset Date will occur on the next Trading Day following the postponed Quarterly Valuation Date or LR Valuation Date, as applicable.

An "Averaging Date" means each of the Trading Day(s) during any Measurement Period, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent's discretion, constitute a Market Disruption Event with respect to the relevant Index, the Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the relevant Index, in each case as determined by the Calculation Agent:

- (a) suspension, absence or material limitation of trading in a material number of the Index Constituent Securities for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the relevant Index or to a material number of Index Constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;
- (c) the relevant Index is not published; or
- (d) in any other event, including any time when a relevant market is closed for trading under ordinary circumstances, if the Calculation Agent determines that the event interferes with our ability or the ability of any of our affiliates to unwind all or a portion of a hedge with respect to the Securities (or relevant portion of the Securities) that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following event will not be Market Disruption Event with respect to the relevant Index:

- (a) a decision to permanently discontinue trading in the options or futures contracts relating to the relevant Index or any Index Constituent equity interests.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the relevant Index or any Index Constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Discontinuance of or Adjustments to the Relevant Index; Alteration of Method of Calculation

If the Index Sponsor or another entity that publishes the Index discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, and the Index Sponsor or such other entity publishes a successor or substitute index that the Calculation Agent determines to be comparable to the discontinued relevant Index (such index being referred to herein as a “Successor Index”), then the Index Closing Level for such Successor Index will be determined by the Calculation Agent by reference to the Successor Index on the dates and at the times as of which the Index Closing Levels for such Successor Index are to be determined.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, prior to, and such discontinuation or unavailability is continuing on, any Quarterly Valuation Date, any Averaging Date, any Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined and the Calculation Agent determines that no Successor Index is available at such time, or the Calculation Agent has previously selected a Successor Index and publication of such Successor Index is discontinued prior to, and such discontinuation is continuing on any relevant date on which the Index Closing Level is to be determined, then the Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index Constituent Security included in the relevant Index or Successor Index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the relevant Index or Successor Index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the relevant Index or a Successor Index, or the value thereof, is changed in a material respect, or if the relevant Index or a Successor Index is in any other way modified so that the level of the relevant Index or such Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the relevant Index or such Successor Index had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as, in the judgment of the Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the relevant Index or such Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the levels for the relevant Index or such Successor Index with reference to the relevant Index or such Successor Index, as adjusted. The Calculation Agent will accordingly calculate the relevant Index levels, Accrued Fees and the Redemption Fee and/or the Loss Rebalancing Fees, if applicable, based on the Index levels calculated by the Calculation Agent, as adjusted. Accordingly, if the method of calculating the relevant Index or a Successor Index is modified so that the level of the relevant Index or such Successor Index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the relevant Index), which, in turn, causes the level of the relevant Index or such Successor Index to be a fraction of what it would have been if there had been no such modification, then the Calculation Agent will make such calculations and adjustments in order to arrive at a level for the relevant Index or such Successor Index as if it had not been modified (*e.g.*, as if such split had not occurred).

Redemption Price Upon Optional Tax Redemption

We have the right to redeem any series of the Securities in the circumstances described in “Medium Term Notes, Series B” under “Description of Debt Securities We May Offer — Optional Tax Redemption”. If we exercise this right, the redemption price of that series of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

Default Amount on Acceleration

If an event of default occurs and the maturity of any series of the Securities is accelerated, we will pay the default amount in respect of the principal of the that series of Securities at maturity. We describe the default amount below under “— Default Amount”.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B are entitled to take any action under the indenture, we will treat the outstanding principal amount of each series of Securities as the outstanding principal amount of the Medium-Term Notes, Series B constituted by that series of Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium Term Notes, Series B” under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants”.

Default Amount

The default amount for any series of the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities of the accelerated series. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities of the accelerated series, which we describe below, the holders of that series of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, early redemption, acceleration or upon exercise by UBS of its call right will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the accompanying prospectus.

Defeasance

Neither full defeasance nor covenant defeasance, as described in the accompanying prospectus under “Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance”, will apply to the Securities.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of the Securities. We intend to issue the Securities initially in an amount having the aggregate offering price specified in “Principal Terms” above. However, we may issue additional Securities in amounts that exceed the amount specified in “Principal Terms” above at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other Securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of any series and will have the same CUSIP number and will trade interchangeably with that series of the Securities immediately upon settlement. Any additional issuances will increase the aggregate Principal Amount of the outstanding Securities of the class, plus the aggregate Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

Additional Terms of the Securities

The general terms of the Securities described above are modified by the specific definitions and terms below.

“Intraday Indicative Value” means the approximate intrinsic economic value of the Securities calculated by NYSE Arca, Inc. and published on Bloomberg (based in part on information provided by the Index Sponsor) or a successor via the facilities on the Consolidated Tape Association under the symbol “FIEEIV”.

“Trading Day” means any day on which (i) trading is generally conducted on NYSE Arca and (ii) the level of the Index is published by the Index Sponsor, in each case as determined by the Calculation Agent.

“Primary Exchange” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading for such Index Constituent Security or such constituent underlying a successor index.

3. UBS AG FI Enhanced Global High Yield ETN due March 3, 2026

Principal Terms

Principal Amount: \$1,250,000,000

Issuer: UBS AG, London Branch

Initial Trade Date: February 19, 2016

Initial Settlement Date: February 24, 2016

Term: 10 years, subject to your right to receive payment for your Securities upon redemption, acceleration upon minimum indicative value or exercise by UBS of its call right, each as described below.

Denomination/Principal Amount: \$100.00 per Security

Maturity Date March 3, 2026, subject to adjustment

Index: The return on the Securities is linked to the MSCI World High Dividend Yield USD Gross Total Return Index. The level of the Index reflects both the price performance of the Index Constituent Securities and the reinvestment of dividends on the Index Constituent Securities. The level of the Index is published approximately every 15 seconds from 12:00 a.m. to 4:15 p.m., New York City time, and a daily Index Closing Level is published at approximately 6:00 p.m., New York City time, on each Trading Day.

Index Closing Level: The closing level of the Index as published by the Index Sponsor and reported by Bloomberg under the ticker symbol “MHDYWOUG<Index>”.

Annual Tracking Rate: 0.80% per annum

Financing Spread: .85% per annum

Loss Rebalancing Fee: Upon each occurrence of a Loss Rebalancing Event, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities, calculated as $99.95\% \times \text{LR Current Principal Amount}$, and may also have a further reduction due to a breakage computation. See “— Loss Rebalancing Event Upon Large Decreases in the Indicative Value” for the definition of the Loss Rebalancing Fee and other terms pertaining to the Loss Rebalancing Event.

Redemption Procedures: The redemption procedures for Early Redemption are specified under “— Redemption Procedures”, provided that any reference to 12:00 noon (New York City time) as the cutoff time (1) to deliver notice of redemption and (2) for aggregating redemption requests to determine whether an early redemption is a Regular Redemption or a Large Redemption shall be 9:00 a.m. (New York City time).

First Redemption Date: March 2, 2016 for Regular Redemptions, March 8, 2016 for Large Redemptions

Final Redemption Date: February 24, 2026

First Call Date: The first date that UBS may exercise its Call Right is February 24, 2017

Quarterly Initial Closing Level for the Initial Calendar Quarter: 1,494.907, the Index Closing Level (as defined BELOW) on the Initial Trade Date.

Quarterly Reset Dates: For each calendar quarter, the Quarterly Reset Date is the first Trading Day of that quarter beginning on April 1, 2016 and ending on January 2, 2026, subject to adjustment.

Quarterly Valuation Dates: For each Quarterly Reset Date, the Quarterly Valuation Date is the last Trading Day of the previous calendar quarter, beginning on March 31, 2016 and ending on December 31, 2025, subject to adjustment.

Floor Level: The “Floor Level” is equal to \$20.00 subject to adjustment.

Index Sponsor: MSCI, Inc.

Listing: The Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca under the symbol “FIHD.”

Calculation Date: February 20, 2026, unless that day is not a Trading Day, in which case the Calculation Date will be the next Trading Day, subject to adjustment.

Index Symbols: The intraday level of the Index is reported by Bloomberg under the ticker symbol “M2WDHDVD <Index>”.

The Index Closing Level is reported by Bloomberg under the ticker symbol “MHDYWOUG <Index>”.

Intraday Indicative Value Symbol: FIHDIV (Bloomberg)

CUSIP No.: 90274D218

ISIN No.: US90274D218

General Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through DTC or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

Interest or Coupons

We will not pay you any interest or coupons during the term of the Securities.

Payment at Maturity

The “Maturity Date” for each series of Securities will be the third Trading Day after the last Trading Day in the applicable Measurement Period, which we refer to in this section “— Payment at Maturity” as the “Final Measurement Period”. The scheduled Maturity Date is identified in “Principal Terms” above.

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the Final Measurement Period, minus
- (b) the Accrued Fees as of such last Trading Day.

If the amount calculated above is less than zero, the payment at maturity will be zero.

You may lose all or a substantial portion of your investment at maturity. Because the Accrued Fees reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities of any series equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment.

The Accrued Fees will be calculated as of the last Trading Day in the Final Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The “Financing Level” is, as of any date of determination, an amount that equals the Current Principal Amount.

The “Accrued Financing Charge” as of the last Trading Day of the Final Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Final Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

On the Initial Trade Date, the Accrued Financing Charge for each Security will be \$0.

The “Accrued Tracking Fee” as of the last Trading Day in the Final Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Final Measurement Period *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Annual Tracking Rate” is a per annum rate described in “Principal Terms” above.

The “Current Indicative Value” is, as determined by the Calculation Agent as of any date of determination, an amount per Security of any series equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, calculated using the Index Closing Level on such date as the Index Valuation Level.

The “Principal Amount” of each Security is \$100.00. Each series of the Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Principal Amount.

For the Initial Calendar Quarter, the Current Principal Amount will equal \$100.00 per Security of the applicable series. For each subsequent calendar quarter, the Current Principal Amount for each Security of that series will be reset as follows on the Quarterly Reset Date:

$$\text{New Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable Quarterly Valuation Date} - \text{Accrued Fees on the applicable Quarterly Valuation Date}$$

If any series of the Securities undergoes a split or reverse split, the Current Principal Amount of that series will be adjusted accordingly.

For each calendar quarter, the “Quarterly Reset Date” is the first Trading Day of the quarter specified in “Principal Terms” above, subject to adjustment as described under “— Market Disruption Event”; provided, however, that no Quarterly Reset Date will occur on or after the Call Valuation Date or the Acceleration Date.

For each Quarterly Reset Date, the “Quarterly Valuation Date” is the last Trading Day of the previous calendar quarter subject to adjustment as described under “— Market Disruption Event”. The Quarterly Valuation Date specified in “Principal Terms” above.

The Index Factor will be calculated as follows:

$$1 + (2 \times \text{Index Performance Ratio})$$

The Index Performance Ratio on any Quarterly Valuation Date, any Redemption Valuation Date, or as of the last Trading Day in the applicable Measurement Period, as applicable, will be:

$$\frac{\text{Index Valuation Level} - \text{Quarterly Initial Closing Level}}{\text{Quarterly Initial Closing Level}}$$

The “Index Valuation Level” will equal the arithmetic mean of the Index Closing Levels measured on each Trading Day during the applicable Measurement Period, or the Index Closing Level on any Quarterly Valuation Date or any Redemption Valuation Date, as determined by the Calculation Agent, provided that:

- (1) for Regular Redemptions, if the Redemption Valuation Date falls in a Final Measurement Period, Call Measurement Period, or Acceleration Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on the Redemption Valuation Date during such Measurement Period shall equal (a) (i) for each elapsed Trading Day in the Measurement Period from and including the first Trading Day in such Measurement Period to but excluding the Redemption Valuation Date (the “Applicable Date”), the sum of the Index Closing Levels on such Trading Day(s) plus (ii) the Index Closing Level on the Applicable Date times the number of remaining Trading Days in the Measurement Period from and including the Applicable Date *divided by* (b) the number of Trading Days in the Measurement Period; and
- (2) For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable.

Unless specified otherwise in “Principal Terms” above, the applicable “Measurement Period” means the five Trading Days from and including the Call Valuation Date, Redemption Valuation Date (for a Large Redemption), Calculation Date or the first Trading Day following the Acceleration Date, as applicable, subject to adjustment as described under “— Market Disruption Event”.

The “Quarterly Initial Closing Level” for the Initial Calendar Quarter is specified in “Principal Terms” above and will be the Index Closing Level on the applicable Initial Trade Date. For each subsequent calendar quarter, the Quarterly Initial Closing Level on the Quarterly Reset Date will equal the Index Closing Level on the Quarterly Valuation Date for the previous calendar quarter.

The “Index Closing Level” is, for any series of the Securities, the closing level of the relevant Index as published by the Index Sponsor.

The “Index Sponsor” is the entity that calculates the level of the relevant Index and is specified in “Principal Terms” above.

The “Calculation Date” is specified in “Principal Terms” above.

Unless specified otherwise in “Principal Terms” above, “Trading Day” means any day on which (i) trading is generally conducted on NYSE Arca and (ii) trading is generally conducted on the markets on which the Index Constituent Securities in the relevant Index are traded, in each case as determined by the Calculation Agent.

Early Redemption at the Option of the Holders

You may elect to require UBS to redeem your Securities, subject to a minimum redemption amount of at least 12,500 Securities of the same series. If you elect to have your Securities redeemed and have done so under the redemption procedures described below under “—Redemption Procedures”, you will receive payment for your Securities on the Redemption Date. The first and final Redemption Dates are specified in “Principal Terms” above. For any early redemptions, the applicable “Redemption Valuation Date” means the first Trading Day following the date on which you deliver a redemption notice to UBS in compliance with the redemption procedures. For any Large Redemption (as defined below), the Redemption Valuation Date will be the first Trading Day in the applicable Large Redemption Measurement Period. If a Redemption Valuation Date for a Large Redemption occurs during an Acceleration Measurement Period, Call Measurement Period or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable.

To satisfy the minimum redemption amount of 12,500 Securities, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 12,500 Securities of the same series; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 12,500 Securities of any series. Any such reduction will be applied on a consistent basis for all holders of the Securities of the affected series at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the corresponding Redemption Valuation Date (or the last Trading Day in the applicable Large Redemption Measurement Period for a Large Redemption), or if such third day is not a Business Day, the next following Business Day (the “Redemption Date”). In addition, if a call notice has been issued, if acceleration has been triggered, or the Final Measurement Period has commenced, in each case with respect to any series of the Securities, for Regular Redemptions the last permitted Redemption Valuation Date for that series of Securities will be the fourth Trading Day in the applicable Call Measurement Period, Acceleration Measurement Period, or the Final Measurement Period, as applicable. For a Large Redemption, if the Redemption Valuation Date occurs during an Acceleration Measurement Period, Call Measurement Period, or Final Measurement Period, the Redemption Amount shall equal the Acceleration Amount, Call Settlement Amount or payment at maturity, as applicable and the Redemption Date will be the third Business Day following the last Trading Day in the applicable Measurement Period. Any applicable Redemption Valuation Date is subject to adjustment as described under “—Market Disruption Event”.

A “Regular Redemption” means an early redemption of Securities of a given series in an amount greater than or equal to the minimum redemption amount of 12,500 Securities but less than the large redemption amount of 2,000,000 Securities.

A “Large Redemption” means an early redemption of Securities of a given series in an amount equal to or greater than 2,000,000 Securities. For purposes of determining whether an early redemption is a Regular Redemption or a Large Redemption, UBS will aggregate all redemption requests received prior to 12:00 noon (New York City time) on a given Trading Day.

General Terms of the Securities

Regular Redemptions

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Regular Redemption, subject to your compliance with the procedures described under “—Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

- (a) the product of

- (i) the Current Principal Amount and (ii) the Index Factor as of the applicable Redemption Valuation Date, minus
- (b) the Accrued Fees as of such Redemption Valuation Date, minus
- (c) the Redemption Fee.

Large Redemptions

If you exercise your right to have us redeem your Securities and such redemption qualifies as a Large Redemption, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section “—Early Redemption at the Option of the Holders” as the “Large Redemption Measurement Period”, minus
- (b) the Accrued Fees as of such last Trading Day, minus
- (c) the Redemption Fee.

We refer to the cash payments described above as the “Redemption Amount”.

If the amount calculated above is less than zero, the payment upon early redemption will be zero. We will inform you of such Redemption Amount two Business Days preceding the applicable Redemption Date.

You may lose all or a substantial portion of your investment upon early redemption. Because the Accrued Fees and the Redemption Fee reduce your final payment, the quarterly compounded leveraged return of the Index will need to be sufficient to offset the negative effect of the Accrued Fees, the Redemption Fee and/or Loss Redemption Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to your initial investment in the Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset such a negative effect or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon early redemption.

The Accrued Fees will be calculated as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) as the sum of (i) the Accrued Tracking Fee as of such date and (ii) the Accrued Financing Charge as of such date.

The “Accrued Tracking Fee” as of any Redemption Valuation Date is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Redemption Valuation Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) *times* (ii) the Annual Tracking Rate, *divided* by (b) 365.

The “Accrued Financing Charge” as of any Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period) is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Redemption Valuation Date or last Trading Day of the applicable Large Measurement Period occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period), and the denominator of which is 360, and (c) the Financing Rate.

The “Redemption Fee” means, as of any date of determination for a series of Securities, an amount per Security equal to the product of (a) 0.125%, (b) the Current Principal Amount and (c) the Index Factor as of the applicable Redemption Valuation Date (or for a Large Redemption, the last Trading Day in the Large Measurement Period).

We discuss these matters “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Redemption and Repayment”.

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner. Any series of Securities may trade at, above, or below its indicative value.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon (New York City time) on the Trading Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date (or the applicable last Trading Day in the Large Redemption Measurement Period for Large Redemptions) at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

UBS's Call Right

We have the right to redeem all, but not less than all, of the Securities of any series upon not less than sixteen calendar days' prior notice to the holders of the Securities of that series, such redemption to occur on any Trading Day specified in "Principal Terms" above through and including the Calculation Date in "Principal Terms" above. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day in the applicable Measurement Period, which we refer to in this section "— UBS's Call Right" as the "Call Measurement Period", minus
- (b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the "Call Settlement Amount".

If the amount calculated above is less than zero, the payment upon UBS's exercise of its call right will be zero.

If UBS issues a call notice on any Trading Day, the "Call Valuation Date" will be the fifth Trading Day following the Trading Day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Trading Day in the Call Measurement Period.

The holders will receive payment for their Securities on a date that is at least three, but not greater than six, Trading Days following the last Trading Day in the Call Measurement Period (the "Call Settlement Date"). We will inform you of such Call Settlement Date in the call notice. If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event".

You may lose all or a substantial portion of your investment at call. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment at call.

The Accrued Fees will be calculated as of the last Trading Day in the Call Measurement Period as the sum of (i) the Accrued Tracking Fee as of such last Trading Day and (ii) the Accrued Financing Charge as of such last Trading Day.

The “Accrued Tracking Fee” as of the last Trading Day in the Call Measurement Period is an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day in such Call Measurement Period *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Accrued Financing Charge” as of the last Trading Day of the Call Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date to, and including, such last Trading Day of such Call Measurement Period and the denominator of which is 360, and (c) the Financing Rate.

Acceleration Upon Minimum Indicative Value

If, at any time, the indicative value for any series of the Securities on any Trading Day equals the Floor Level or less (such day, an “Acceleration Date”), all issued and outstanding Securities of that series will be automatically accelerated and mandatorily redeemed by UBS (even if the indicative value of that series would later exceed the Floor Level on such Acceleration Date or any subsequent Trading Day during the applicable Measurement Period, which we refer to in this section “— Acceleration Upon Minimum Indicative Value” as the “Acceleration Measurement Period”) for a cash payment equal to

- (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Trading Day of the Acceleration Measurement Period, minus
- (b) the Accrued Fees as of such last Trading Day.

We refer to this cash payment as the “Acceleration Amount”. The “Floor Level” of any series of the Securities is specified in “Principal Terms” above and is subject to adjustment in the case of a split or reverse split as described under “Valuation of the Index and the Securities — Split or Reverse Split of the Securities”. If the minimum indicative value threshold of any series of Securities has been breached, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in that series of Securities. An Acceleration Date can occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

You may lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value. Because the Accrued Fees and Loss Rebalancing Fees, if applicable, reduce your final payment, the quarterly compounded leveraged return of the Index will need to offset the negative effect of the Accrued Fees and Loss Rebalancing Fees, if applicable, in order for you to receive an aggregate amount over the term of the Securities equal to at least the initial investment of your Securities. If the quarterly compounded leveraged return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Loss Rebalancing Fees, if applicable, or if the quarterly compounded leveraged return of the Index is negative, you will lose all or a substantial portion of your investment upon an acceleration upon minimum indicative value.

The Accrued Fees will be calculated as of any date of determination for any series of Securities as the sum of (i) the Accrued Tracking Fee as of the last Trading Day of the Acceleration Measurement Period and (ii) the Accrued Financing Charge as of the last Trading Day of the Acceleration Measurement Period.

The “Accrued Tracking Fee” as of the last Trading Day of the Acceleration Measurement Period will be an amount equal to (a) the aggregate sum of (i) the Current Indicative Value as of the immediately preceding Trading Day for each date starting from, but excluding, the immediately preceding Quarterly Valuation Date (or, if the Acceleration Date falls in the Initial Calendar Quarter, the Initial Trade Date) to, and including, such last Trading Day in such Measurement Period, as applicable, *times* (ii) the Annual Tracking Rate, *divided by* (b) 365.

The “Accrued Financing Charge” as of the last Trading Day of the Acceleration Measurement Period is an amount equal to the product of (a) the Financing Level as of the preceding Quarterly Reset Date, (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Quarterly Valuation Date (or if the Acceleration Date occurs prior to the initial Quarterly Valuation Date, the period from, and excluding, the Initial Trade Date) to, and including, such last Trading Day of such Measurement Period as applicable, and the denominator of which is 360, and (c) the Financing Rate.

The “Acceleration Settlement Date” will be the third Trading Day following the last Trading Day of the Acceleration Measurement Period.

Subject to the prior verification by the Calculation Agent that the indicative value of equal or less than the Floor Level was accurately calculated by the relevant calculation agent specified in “Principal Terms” above and in each case with respect to a series of Securities, UBS must provide notice to the holders of that series of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the intraday indicative value of the Securities is calculated see “Valuation of the Index and the Securities”.

Loss Rebalancing Event Upon Large Decreases in the Indicative Value

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee, as defined below.

A “Loss Rebalancing Event” means if, at any time, the closing indicative value for any series of the Securities on any Trading Day decreases 40% in value from the closing indicative value of that series of the Securities on the previous Quarterly Valuation Date. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on that Trading Day.

With respect to a Loss Rebalancing Event, the “LR Valuation Date” is the first Trading Day following a Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event”.

With respect to a LR Valuation Date, the “LR Reset Date” is the first Trading Day following a LR Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

On the LR Reset Date, the Current Principal Amount for each Security of that series will be reset as follows:

$$\text{New Current Principal Amount} = 99.995\% \square \text{LR Current Principal Amount.}$$

$$\text{LR Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable LR Valuation Date} - \text{Accrued Fees on the applicable LR Valuation Date.}$$

If the amount calculated above is less than zero, the payment at maturity will be zero.

On the LR Reset Date, the LR Current Principal Amount will be reset exactly like the “New Current Principal Amount” on a Quarterly Reset Date, except that:

- (1) the LR Reset Date will be the Quarterly Reset Date;
- (2) the Index Factor and Index Performance Ratio will be calculated on the LR Valuation Date;
- (3) the Index Valuation Level for purposes of calculating the Index Performance Ratio will be computed using the Index Closing Level on the LR Valuation Date;
- (4) for the next reset date, the Quarterly Initial Closing Level on the applicable reset date will equal the Index Closing Level on the LR Valuation Date;
- (5) Accrued Fees (the Accrued Tracking Fees and Accrued Financing Charge) will be computed as of the LR Valuation Date as if the LR Valuation Date was a Quarterly Valuation Date; and
- (6) the Financing Level will be reduced to equal the new Current Principal Amount.

The Financing Rate will remain constant until the next Quarterly Reset Date, *provided however* that if the reset date financing rate (determined in accordance with the definition of “Financing Rate” two London business days preceding LR Valuation Date and referred to as “L2”) is less than the actual Financing Rate (“L1”), the Current Principal Amount will be further reduced by an amount equal to:

$$(L1-L2) \times (\text{Current Principal Amount} - \text{New Current Principal Amount}) \square (\text{the days remaining in the quarter from and excluding the LR Valuation Date to and including the next Quarterly Valuation Date}) \textit{divided by } 360.$$

Note that each time a Loss Rebalancing Event occurs, you will incur a 0.05% reduction in the LR Current Principal Amount of your Securities and you also may have a further reduction due to the breakage computation in the preceding proviso. We will refer to these reductions as a “Loss Rebalancing Fee”.

Loss Rebalancing Events can occur multiple times. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Each Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio as of the LR Valuation Date. This means that your Securities will entitle you to less of a positive gain in value relative to before the occurrence of the Loss Rebalancing Event. In addition, each time a Loss Rebalancing Event occurs, you will incur a Loss Rebalancing Fee. This fee will reduce the amount of your return (or increase your loss) on the Maturity Date, early redemption, acceleration or exercise by UBS of its call right.

Calculation Agent

UBS Securities LLC will act as the Calculation Agent. The Calculation Agent will determine, among other things, the Index Valuation Level, the Index Performance Ratio, the Index Factor, the Current Principal Amount, the Current Indicative Value, the Accrued Fees, the Accrued Financing Charge, the Financing Level, the Financing Rate, the Accrued Tracking Fee, the Redemption Fee, if any, the Loss Rebalancing Fee, if any, the payment at maturity, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, if any, that we will pay you on the Call Settlement Date, if applicable, or the Acceleration Amount, if any, that we will pay you on the Acceleration Settlement Date, if applicable, based on the relevant Index levels calculated by the Calculation Agent, as adjusted, and whether any day is a Business Day or Trading Day. The Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the relevant Index has been discontinued or is otherwise unavailable and whether there has been a material change in the relevant Index. All determinations made by the Calculation Agent will be at the sole discretion of the Calculation Agent for any series of the Securities and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Calculation Agent for any series of the Securities from time to time without your consent and without notifying you.

The Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, early redemption, acceleration, or upon exercise by UBS of its call right on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, the Acceleration Settlement Date or the Call Settlement Date, as applicable.

All dollar amounts related to determination amounts payable per Security for any series of Securities will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of such Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the relevant Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing (the "Deferred Averaging Date") with respect to the relevant Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the relevant Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

If the Redemption Valuation Date, for purposes of calculating a Redemption Amount for a Regular Redemption, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount. If a Market Disruption Event occurs on any Quarterly Valuation Date or LR Valuation Date, the Index Closing Level for such date will be determined by the Calculation Agent or one of its affiliates on the first succeeding Trading Day on which a Market Disruption Event does not occur or is not continuing.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date, Quarterly Valuation Date, the Redemption Valuation Date, or LR Valuation Date, as applicable, occurring more than eight Trading Days following the day originally scheduled to be such final Averaging Date or other applicable date. If the eighth Trading Day following the date originally scheduled to be the final Averaging Date, Quarterly Valuation Date, Redemption Valuation Date, or LR Valuation Date, as applicable, a Market Disruption Event has occurred or is continuing with respect to the relevant Index on such eighth Trading Day, the Calculation Agent or one of its affiliates will determine the Index Closing Level based on its estimate of the Index Closing Level that would have prevailed on such eighth Trading Day but for such Market Disruption Event. If any Quarterly Valuation Date or LR Valuation Date is postponed as described above, the succeeding Quarterly Reset Date or LR Reset Date will occur on the next Trading Day following the postponed Quarterly Valuation Date or LR Valuation Date, as applicable.

An "Averaging Date" means each of the Trading Day(s) during any Measurement Period, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent's discretion, constitute a Market Disruption Event with respect to the relevant Index, the Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the relevant Index, in each case as determined by the Calculation Agent:

- (a) suspension, absence or material limitation of trading in a material number of the Index Constituent Securities for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the relevant Index or to a material number of Index Constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;
- (c) the relevant Index is not published; or
- (d) in any other event, including any time when a relevant market is closed for trading under ordinary circumstances, if the Calculation Agent determines that the event interferes with our ability or the ability of any of our affiliates to unwind all or a portion of a hedge with respect to the Securities (or relevant portion of the Securities) that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following event will not be Market Disruption Event with respect to the relevant Index:

- (a) a decision to permanently discontinue trading in the options or futures contracts relating to the relevant Index or any Index Constituent equity interests.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the relevant Index or any Index Constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Discontinuance of or Adjustments to the Relevant Index; Alteration of Method of Calculation

If the Index Sponsor or another entity that publishes the Index (such other entity to be named in "Principal Terms" above) discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, and the Index Sponsor or such other entity publishes a successor or substitute index that the Calculation Agent determines to be comparable to the discontinued relevant Index (such index being referred to herein as a "Successor Index"), then the Index Closing Level for such Successor Index will be determined by the Calculation Agent by reference to the Successor Index on the dates and at the times as of which the Index Closing Levels for such Successor Index are to be determined.

Upon any selection by the Calculation Agent of a Successor Index, the Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the relevant Index, or if our right to use the Index is suspended or terminated, prior to, and such discontinuation or unavailability is continuing on, any Quarterly Valuation Date, any Averaging Date, any Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined and the Calculation Agent determines that no Successor Index is available at such time, or the Calculation Agent has previously selected a Successor Index and publication of such Successor Index is discontinued prior to, and such discontinuation is continuing on any relevant date on which the Index Closing Level is to be determined, then the Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index Constituent Security included in the relevant Index or Successor Index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions as described in the description of the relevant Index included in "Principal Terms" above. In such event, the Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the relevant Index or Successor Index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the relevant Index or a Successor Index, or the value thereof, is changed in a material respect, or if the relevant Index or a Successor Index is in any other way modified so that the level of the relevant Index or such Successor Index does not, in the opinion of the Calculation Agent, fairly represent the level of the relevant Index or such Successor Index had such changes or modifications not been made, then the Calculation Agent will make such calculations and adjustments as, in the judgment of the Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the relevant Index or such Successor Index, as the case may be, as if such changes or modifications had not been made, and the Calculation Agent will calculate the levels for the relevant Index or such Successor Index with reference to the relevant Index or such Successor Index, as adjusted. The Calculation Agent will accordingly calculate the relevant Index levels, Accrued Fees and the Redemption Fee and/or the Loss Rebalancing Fees, if applicable, based on the Index levels calculated by the Calculation Agent, as adjusted. Accordingly, if the method of calculating the relevant Index or a Successor Index is modified so that the level of the relevant Index or such Successor Index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the relevant Index), which, in turn, causes the level of the relevant Index or such Successor Index to be a fraction of what it would have been if there had been no such modification, then the Calculation Agent will make such calculations and adjustments in order to arrive at a level for the relevant Index or such Successor Index as if it had not been modified (e.g., as if such split had not occurred).

Redemption Price Upon Optional Tax Redemption

We have the right to redeem any series of the Securities in the circumstances described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Optional Tax Redemption”. If we exercise this right, the redemption price of that series of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

Default Amount on Acceleration

If an event of default occurs and the maturity of any series of the Securities is accelerated, we will pay the default amount in respect of the principal of the that series of Securities at maturity. We describe the default amount below under “— Default Amount”.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B are entitled to take any action under the indenture, we will treat the outstanding principal amount of each series of Securities as the outstanding principal amount of the Medium-Term Notes, Series B constituted by that series of Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants”.

Default Amount

The default amount for any series of the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities of the accelerated series. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities of the accelerated series, which we describe below, the holders of that series of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, early redemption, acceleration or upon exercise by UBS of its call right will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities”.

Defeasance

Neither full defeasance nor covenant defeasance, as described “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance”, will apply to the Securities.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of the Securities. We intend to issue the Securities initially in an amount having the aggregate offering price specified in “Principal Terms” above. However, we may issue additional Securities in amounts that exceed the amount specified in “Principal Terms” above at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other Securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Medium Term Notes, Series B” under “Description of Debt Securities We May Offer — Amounts That We May Issue”.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of any series and will have the same CUSIP number and will trade interchangeably with that series of the Securities immediately upon settlement. Any additional issuances will increase the aggregate Principal Amount of the outstanding Securities of the class, plus the aggregate Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

Redemption Procedures

The redemption procedures for Early Redemption are specified under “— Redemption Procedures” in “Principal Terms” above, provided that any reference herein to 12:00 noon (New York City time) as the cutoff time (1) to deliver notice of redemption and (2) for aggregating redemption requests to determine whether an early redemption is a Regular Redemption or a Large Redemption shall be 9:00 a.m. (New York City time).

Additional Terms of the Securities

The general terms of the Securities in are modified by the specific definitions and terms below.

“Intraday Indicative Value” means the approximate intrinsic economic value of the Securities calculated by NYSE Arca, Inc. and published on Bloomberg (based in part on information provided by the Index Sponsor) or a successor via the facilities on the Consolidated Tape Association under the symbol “FIHDIV”.

“Trading Day” means any day on which (i) trading is generally conducted on NYSE Arca and (ii) the level of the Index is published by the Index Sponsor, in each case as determined by the Calculation Agent.

“Primary Exchange” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading for such Index Constituent Security or such constituent underlying a successor index.

4. ETRACS UBS Bloomberg Constant Maturity Commodity Index (CMCI) Total Return ETN Series B due April 5, 2038

Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

These Securities are part of a single series of senior debt securities issued under our indenture dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

Principal Amount: \$100,000,000

Issuer: UBS AG (London Branch)

Coupon

We will not pay you interest during the term of the Securities.

Denomination

The Stated Principal Amount of the Securities is \$25 per Security.

Payment at Maturity or Upon Early Redemption

At maturity or upon early redemption, you will receive a cash payment per \$25 Stated Principal Amount of your Securities equal to the Redemption Amount, which is calculated on the Final Valuation Date or the applicable Valuation Date, as the case may be, and based on the percentage change in the level of the Index from the Initial Trade Date relative to such Valuation Date.

The “Redemption Amount” will equal:

$$(\$25.00 \times \text{Index Performance Ratio}) - \text{Fee Amount}$$

For purposes of calculating the Redemption Amount at maturity or upon early redemption, the Index Performance Ratio will be determined as of the corresponding Final Valuation Date or Valuation Date, as the case may be. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The “Index Performance Ratio” will be calculated as follows:

$$\frac{\text{Index Ending Level}}{\text{Index Starting Level}}$$

The “Index Starting Level” is 1,436.54, the closing level of the Index measured on April 1, 2008.

The “Index Ending Level” will equal the closing level of the Index on the applicable Trading Day.

The “Fee Amount” accrues on a daily basis. The initial Fee Amount will be \$0.9565 and beginning on and including the Initial Trade Date will increase each subsequent calendar date by an amount equal to: $(0.55\%/365) \times \$25.00 \times \text{Index Performance Ratio}$ on that day. For the purpose of calculating the Fee Amount, the Index Performance Ratio on any day that is not a Trading Day is the Index Performance Ratio as of the immediately preceding Trading Day.

Unlike ordinary debt securities, the Securities do not pay interest and do not guarantee any return of principal at maturity or upon an early redemption.

The Securities are fully exposed to any decline in the level of the Index. You may lose some or all of your investment if the Index level on the Final Valuation Date or the applicable Valuation Date, as the case may be, is less than the Index Starting Level or if the Index level does not increase by an amount sufficient to offset the negative effect of the Fee Amount. In addition, the Fee Amount will be calculated and accumulated based on a daily Index level and therefore will depend on the daily fluctuations of the Index level. If the amount calculated above is equal to or less than zero, the payment at maturity, call or upon early redemption will be zero.

To receive at least your Stated Principal Amount at maturity or upon early redemption, the Index must increase by a certain amount to offset the reduction to the Redemption Amount caused by the Fee Amount.

Maturity Date

The “Maturity Date” is April 5, 2038, unless that day is not a Business Day, in which case the Maturity Date will be the next following Business Day. If the third Trading Day before April 5, 2038 does not qualify as the Final Valuation Date as determined in accordance with “— Final Valuation Date” below, then the Maturity Date will be the third Trading Day following the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is also a Business Day. The Calculation Agent may postpone the Final Valuation Date — and therefore the Maturity Date — if a market disruption event occurs or is continuing on a day that would otherwise be the Final Valuation Date. We describe market disruption events under “— Market Disruption Event” below.

Final Valuation Date

We currently expect the “Final Valuation Date” to be March 31, 2038, unless the Calculation Agent determines that a market disruption event occurs or is continuing on that day. In that event, the Final Valuation Date will be the first following Trading Day on which the Calculation Agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the Final Valuation Date for the Securities be postponed by more than five (5) Trading Days.

Underlying Index

The return on the Securities is linked to the performance of the UBS Bloomberg Constant Maturity Commodity Index (CMCI) Total Return (the “Index”). The Index is designed to be a diversified benchmark for commodities as an asset class. The Index, which is rebalanced monthly, is comprised of futures contracts on 27 components, representing 24 commodities, with up to five different maturities for each individual commodity. The Index is a “total return” index. The overall return on the Index is generated by two components: (i) uncollateralized returns on the futures contracts comprising the Index and (ii) a daily fixed-income return, which reflects the interest earned on a hypothetical 91-day Treasury Bill portfolio theoretically deposited as margin for hypothetical positions in the futures contracts comprising the Index.

Early Redemption

You may elect to require UBS to redeem your Securities, in whole or in part, prior to the Maturity Date on any Trading Day through and including the final Redemption Date, subject to a minimum redemption amount of at least 50,000 Securities. If you elect to have UBS redeem your Securities, you will receive a cash payment equal to the Redemption Amount, which will be determined on the applicable Valuation Date and paid on the applicable Redemption Date. You must comply with the redemption procedures described below in order to redeem your Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 p.m. (New York City time) on any Trading Day. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 p.m. (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

Redemption Dates

The “Redemption Dates” will be the third Trading Day following a Valuation Date (other than the Final Valuation Date) or, if such day is not a Business Day, the next following Trading Day that is a Business Day. The final Redemption Date will be the third Trading Day following the Valuation Date that immediately precedes the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is a Business Day. The Calculation Agent may postpone the applicable Valuation Date — and therefore the applicable Redemption Date — if a market disruption event occurs or is continuing on a day that would otherwise be the applicable Valuation Date. We describe market disruption events under “— Market Disruption Event” below.

Valuation Dates

For any early redemption, the applicable “Valuation Date” means the first Trading Day immediately following the Trading Day on which you deliver a redemption notice to UBS in compliance with the redemption procedures. In the event UBS exercises its Call Right (as defined below), the Valuation Date means the third Trading Day prior to the Call Settlement Date (as defined below). If the Calculation Agent determines that a market disruption event occurs or is continuing on a Valuation Date, the applicable Valuation Date will be the first following Trading Day on which the Calculation Agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the applicable Valuation Date for the Securities be postponed by more than five (5) Trading Days. The Final Valuation Date is March 31, 2038.

UBS’s Call Right

On any Trading Day on or after October 17, 2016 through and including the Maturity Date (any such day, the “Call Settlement Date”), UBS may at its option redeem all, but not less than all, issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of the Securities not less than five (5) Trading Days prior to the Call Settlement Date specified by UBS in such notice. If UBS elects to redeem the Securities on the Call Settlement Date, the Holder will receive a cash payment equal to the Redemption Amount, which will be calculated on the applicable Valuation Date and paid on the Call Settlement Date. The Calculation Agent may postpone the applicable Valuation Date — and therefore the Call Settlement Date — if a market disruption event occurs and is continuing on a day that would otherwise be the applicable Valuation Date.

In the event we exercise our Call Right, references to payment upon early redemption also refer to payment upon our exercise of our call right. See “— Payment at Maturity or Upon Early Redemption.” We discuss redemption “Medium-Term Notes, Series B” above under “Description of the Debt Securities We May Offer—Redemption and Payment.”

Market Disruption Event

The Calculation Agent will determine the Index Ending Level on the applicable Valuation Date or the Final Valuation Date, as the case may be. If the level of the Index has declined, you may lose some or all of your investment. If the level of the Index has increased, it must have increased by an amount sufficient to offset the Fee Amount in order to receive a positive return on your Securities. As described above, the applicable Valuation Date or the Final Valuation Date, as the case may be, may be postponed and thus the determination of the Index Ending Level may be postponed if the Calculation Agent determines that, on the applicable Valuation Date or the Final Valuation Date, as the case may be, a market disruption event has occurred or is continuing. Notwithstanding the occurrence of one or more of the events below, which may, in the Calculation Agent’s discretion, constitute a market disruption event, the Calculation Agent in its discretion may waive its right to postpone the determination of the Index Ending Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Ending Level on such date. If such a postponement occurs, the Calculation Agent will use the closing level of the Index on the first Trading Day on which no market disruption event occurs or is continuing. In no event, however, will the determination of the Index Ending Level be postponed by more than five (5) Trading Days.

If the determination of the Index Ending Level is postponed to the last possible day, but a market disruption event occurs or is continuing on that day, that day will nevertheless be the date on which the Index Ending Level will be determined by the Calculation Agent. In such an event, the Calculation Agent will make a good faith estimate in its sole discretion of the Index Ending Level that would have prevailed in the absence of the market disruption event.

Any of the following will be a market disruption event:

- the absence or suspension of, or material limitation or disruption in the trading of any exchange-traded futures contract included in the Index;
- the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day's settlement price;
- the Index is not published;
- the settlement price is not published for any individual exchange-traded futures contract included in the Index;
- the occurrence of any event on any day or any number of consecutive days as determined by the Calculation Agent in its sole and reasonable discretion that affects our currency hedging (if any) with respect to U.S. dollars or the currency of any futures contract included in the Index; or
- in any other event, if the Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect .

The following events will not be market disruption events:

- a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Commodity.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to a basket or any Index Commodities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in “Medium-Term Notes, Series B” above. If we exercise this right, the redemption price of the Securities will be determined by the Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Series B medium-term notes, holders of specified percentages in principal amount of all Series B medium-term notes, together in some cases with other series of our debt securities, will be able to take action affecting all the Series B medium-term notes, including the Securities. This action may involve changing some of the terms that apply to the Series B medium-term notes, accelerating the maturity of the Series B medium-term notes after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the applicable Valuation Date or the Final Valuation Date, as the case may be, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation

If the Index Administrator discontinues publication of the Index and it or any other person or entity publishes a substitute index that the Calculation Agent determines is comparable to the Index and approves as a successor index, then the Calculation Agent will determine the Index Performance Ratio, Index Ending Level and the amount payable at maturity or upon early redemption by reference to such successor index.

If the Calculation Agent determines that the publication of the Index is discontinued and that there is no successor index on any date when the value of the Index is required to be determined, the Calculation Agent will instead make the necessary determination by reference to a group of commodities and options or another index and will apply a computation methodology that the Calculation Agent determines will as closely as reasonably possible replicate the Index.

If the Calculation Agent determines that the exchange-traded futures contracts included in the Index or the method of calculating the Index has been changed at any time in any respect — and whether the change is made by the Index Administrator under its existing policies or following a modification of those policies, is due to the publication of a successor index, is due to events affecting one or more of the Index Commodities or is due to any other reason — that causes the Index not to fairly represent the value of the Index had such changes not been made or that otherwise affects the calculation of the performance of the Index, the Index Ending Level or the amount payable at maturity or upon early redemption, then the Calculation Agent may make adjustments in the method of calculating the Index that it believes are appropriate to ensure that the Index Performance Ratio used to determine the amount payable on the Maturity Date or upon early redemption is equitable. All determinations and adjustments to be made by the Calculation Agent with respect to the performance of the Index, Index Ending Level, the amount payable at maturity or upon early redemption or otherwise relating to the level of the Index may be made by the Calculation Agent in its sole discretion.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption will be made to accounts designated by you and approved by us, or at the office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Trading Day

Trading Day means a day on which (i) the value of the Index is published by Bloomberg or Reuters, (ii) trading is generally conducted on NYSE Arca and (iii) trading is generally conducted on the markets on which the futures contracts comprising the Index are traded, in each case as determined by the Calculation Agent in its sole discretion.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B” above.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B”, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Maturity Date,” “— Redemption Date” and “— Valuation Date” above.

Role of Calculation Agent

Our affiliate, UBS Securities LLC, will serve as the Calculation Agent for the Securities. We may change the Calculation Agent after the original issue date of the Securities without notice. The Calculation Agent will make all determinations regarding the value of the Securities at maturity or upon early redemption, market disruption events, Trading Days, the default amount, the Index Starting Level, the Index Ending Level and the amount payable in respect of your Securities. Absent manifest error, all determinations of the Calculation Agent will be final and binding on you and us, without any liability on the part of the Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations by the Calculation Agent.

Reissuances or Reopened Issues

We may at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate stated principal amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed such amount at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

5. ETRACS Bloomberg Commodity Index Total ReturnSM ETN Series B due October 31, 2039

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

Principal Amount: \$336,842,900

Issuer: UBS AG (London Branch)

Coupon

We will not pay you interest during the term of the Securities.

Denomination

The Stated Principal Amount per Security is \$25.00.

Payment at Maturity, Call or Upon Early Redemption

At maturity, call or upon early redemption, you will receive a cash payment per \$25.00 principal amount of your Securities equal to the Redemption Amount, which is calculated on the Final Valuation Date or the applicable Valuation Date, as the case may be, and based on the percentage change in the level of the Index from the Initial Trade Date relative to such Valuation Date.

The “**Redemption Amount**” will equal:

$$(\$25.00 \times \text{Index Performance Ratio}) - \text{Fee Amount}$$

For purposes of calculating the Redemption Amount at maturity or upon early redemption, the Index Performance Ratio will be determined as of the corresponding Final Valuation Date or Valuation Date, as the case may be.

The “**Fee Amount**” is equal to 0.50% per annum, which accrues on a daily basis, with the Fee Amount equal to \$1.0823 on the Initial Trade Date, and then increasing, on each subsequent calendar day, by an amount equal to: $(0.50\%/365) \times \$25.00 \times$ Index Performance Ratio on that day. If such day is not a Trading Day, the Index Performance Ratio will be calculated as of the immediately preceding Trading Day.

The “**Index Performance Ratio**” will be calculated as follows:

$$\frac{\text{Index Ending Level}}{\text{Index Starting Level}}$$

The “**Index Starting Level**” is 264.194, the closing level of the Index on October 28, 2009.

The “**Index Ending Level**” will equal the closing level of the Index on the applicable Valuation Date.

Unlike ordinary debt securities, the Securities do not pay interest and do not guarantee any return of principal at maturity, call or upon an early redemption.

The Securities are fully exposed to any decline in the level of the Index. You may lose some or all of your investment if the Index level declines from the Initial Trade Date relative to the Final Valuation Date or the applicable Valuation Date, as the case may be, or if the Index does not increase as of such date by an amount sufficient to offset the cumulative effect of the Fee Amount.

To receive at least your initial investment at maturity or upon early redemption, the Index must increase by a certain amount to offset the reduction to the Redemption Amount caused by the Fee Amount.

Maturity Date

The Maturity Date is October 31, 2039, unless that day is not a Business Day, in which case the Maturity Date will be the next following Business Day. If the third Trading Day before October 31, 2039 does not qualify as the Final Valuation Date as determined in accordance with “— Final Valuation Date” below, then the Maturity Date will be the third Trading Day following the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is also a Business Day. The calculation agent may postpone the Final Valuation Date — and therefore the Maturity Date — if a market disruption event occurs or is continuing on a day that would otherwise be the Final Valuation Date. We describe market disruption events under “— Market Disruption Event” below.

Final Valuation Date

We currently expect the Final Valuation Date to be the Trading Day that falls on October 26, 2039, unless the calculation agent determines that a market disruption event occurs or is continuing on that day. In that event, the Final Valuation Date will be the first following Trading Day on which the calculation agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the Final Valuation Date for the Securities be postponed by more than five Trading Days.

Underlying Index

The return on the Securities is linked to the performance of the Bloomberg Commodity Index Total ReturnSM. The Index is composed of the prices of twenty-one exchange-traded futures contracts on physical commodities. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. The twenty-three commodities included in the Index for 2020 are as follows: aluminum, Brent crude oil, coffee, copper, corn, cotton, gold, HRW wheat, lean hogs, live cattle, low sulfur gas oil, natural gas, nickel, RBOB gasoline, silver, soybeans, soybean meal, soybean oil, sugar, wheat, WTI crude oil, ULS diesel and zinc. The Index is a “total return” index. The overall return on the Index is generated by two components: (i) unleveraged returns on futures contracts on the physical commodities comprising the Index and (ii) the returns that correspond to the weekly announced interest rate for specified 3-month U.S. Treasury Bills.

Early Redemption

You may elect to require UBS to redeem your Securities, in whole or in part, prior to the Maturity Date on any Trading Day, provided that the Trading Day is also a Business Day, through and including the final Redemption Date, subject to a minimum redemption amount of at least 50,000 Securities. If you elect to have UBS redeem your Securities, you will receive a cash payment equal to the Redemption Amount, which will be determined on the applicable Valuation Date and paid on the applicable Redemption Date. You must comply with the redemption procedures described below in order to redeem your Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. UBS reserves the right from time to time to waive this minimum redemption amount in its sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, to UBS via email no later than 12:00 noon (New York City time) on any Trading Day. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Trading Day prior to the applicable Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

Redemption Dates

The applicable Redemption Date will be the third Trading Day following a Valuation Date (other than the Final Valuation Date) or, if such day is not a Business Day, the next following Trading Day that is a Business Day. The final Redemption Date will be the third Trading Day following the Valuation Date that immediately precedes the Final Valuation Date or, if such day is not a Business Day, the next following Trading Day that is a Business Day. You should not assume that you will be entitled to any such acceleration. The calculation agent may postpone the applicable Valuation Date — and therefore the applicable Redemption Date — if a market disruption event occurs or is continuing on a day that would otherwise be the applicable Valuation Date. We describe market disruption events under “— Market Disruption Event” below.

Valuation Dates

For any early redemption, the applicable “**Valuation Date**” means the first Trading Day immediately following the Trading Day on which you deliver a redemption notice to UBS in compliance with the redemption procedures. You may, however, request that we accelerate the Redemption Date to the date on which the notice of redemption is received by UBS rather than the first Trading Day on which you deliver a redemption notice to us in compliance with the redemption procedures. You should not assume that you will be entitled to any such acceleration. We will be under no obligation to approve any such request, or to make any announcement regarding any decision by us to approve any such request. As a result, when considering making an investment in the Securities, you should assume that we will not choose to approve any request to accelerate the Redemption Valuation Date, or that if we do approve any such request, we will choose not to do so with respect to any redemption requests that you submit. In the event UBS exercises its call right, the Valuation Date means the third Trading Day prior to the Call Settlement Date (as defined below). If the calculation agent determines that a market disruption event occurs or is continuing on a Valuation Date, the applicable Valuation Date will be the first following Trading Day on which the calculation agent determines that a market disruption event does not occur and is not continuing. In no event, however, will the applicable Valuation Date for the Securities be postponed by more than five Trading Days. The Final Valuation Date is October 26, 2039.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than ten calendar days’ prior notice to the holders of the Securities, such redemption to occur on any Trading Day (or if such day is not a Business Day, the next Trading Day that is also a Business Day) that we may specify through and including the Maturity Date (the “**Call Settlement Date**”). Upon early redemption in the event we exercise our call right, you will receive a cash payment equal to the Redemption Amount, which will be calculated on the applicable Valuation Date and paid on the Call Settlement Date. The calculation agent may postpone the applicable Valuation Date — and therefore the Call Settlement Date — if a market disruption event occurs and is continuing on a day that would otherwise be the applicable Valuation Date.

In the event we exercise our call right, references to payment upon early redemption also refer to payment upon our exercise of our call right. See “— Payment at Maturity, Call or Upon Early Redemption” above. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of the Debt Securities We May Offer — Redemption and Repayment.”

Market Disruption Event

The calculation agent will determine the Index Ending Level on the applicable Valuation Date or the Final Valuation Date, as the case may be. If the level of the Index has declined, you will lose some or all of your investment. If the level of the Index has increased, it must have increased by an amount sufficient to offset the Fee Amount in order to receive a positive return on your Securities. As described above, the applicable Valuation Date or the Final Valuation Date, as the case may be, may be postponed and thus the determination of the Index Ending Level may be postponed if the calculation agent determines that, on the applicable Valuation Date or the Final Valuation Date, as the case may be, a market disruption event has occurred or is continuing. Notwithstanding the occurrence of one or more of the events below, which may, in the calculation agent’s discretion, constitute a market disruption event, the calculation agent in its discretion may waive its right to postpone the determination of the Index Ending Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Ending Level on such date. If such a postponement occurs, the calculation agent will use the closing level of the Index on the first Trading Day on which no market disruption event occurs or is continuing. In no event, however, will the determination of the Index Ending Level be postponed by more than five Trading Days.

If the determination of the Index Ending Level is postponed to the last possible day, but a market disruption event occurs or is continuing on that day, that day will nevertheless be the date on which the Index Ending Level will be determined by the calculation agent. In such an event, the calculation agent will make a good faith estimate in its sole discretion of the Index Ending Level that would have prevailed in the absence of the market disruption event.

Any of the following will be a market disruption event:

- the absence or suspension of, or material limitation or disruption in the trading of any exchange-traded futures contract included in the Index;
- the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day's settlement price;
- the Index is not published;
- the settlement price is not published for any individual exchange-traded futures contract included in the Index;
- the occurrence of any event on any day or any number of consecutive days as determined by the calculation agent in its sole and reasonable discretion that affects our currency hedging (if any) with respect to U.S. dollars or the currency of any futures contract included in the Index; or
- in any other event, if the calculation agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described below under "Use of Proceeds and Hedging".

The following events will not be market disruption events:

- a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Commodity.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to a basket or any Index Commodities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

If a market disruption event affecting any Index Commodity occurs during the fifth through the ninth Business Days of each month (the "**Hedge Roll Period**") in any month other than January, then the daily roll of the relevant Designated Contract for such Index Commodity will be postponed until the next available Business Day on which a market disruption event does not occur, and the calculation of the Index will be adjusted to reflect this. The Hedge Roll Period will be extended only if a market disruption event affects an Index Commodity on the scheduled final Business Day comprising the Hedge Roll Period.

If a market disruption event affecting any Index Commodity occurs during the January Hedge Roll Period, then the rolling or rebalancing of the relevant Designated Contract will occur in all cases over five Business Days on which no market disruption event exists at a rate of 20% per day. The January Hedge Roll Period, and the resulting rebalancing that is scheduled to occur, will be extended in all cases until the affected Designated Contract finishes rolling over five Business Days not affected by a market disruption event.

If a market disruption event occurs on a CIM Determination Date in respect of any lead future for an Index Commodity used in the calculation of the CIMs, then the settlement prices used to calculate the CIMs for such year will be from the first prior Business Day on which a market disruption event had not occurred in any such futures.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in "Medium-Term Notes, Series B" above. If we exercise this right, the redemption price of the Securities will be determined by the calculation agent in a manner reasonably calculated to preserve your and our relative economic position.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under "— Default Amount."

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the applicable Valuation Date or the Final Valuation Date, as the case may be, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation

If BISL (the Index administrator) discontinues publication of the Index and it or any other person or entity publish a substitute index that the calculation agent determines is comparable to the Index and approves as a successor index then the calculation agent will determine the Index Performance Ratio, Index Ending Level and the amount payable at maturity, call or upon early redemption by reference to such successor index.

If the calculation agent determines that the publication of the Index is discontinued and that there is no successor index on any date when the value of the Index is required to be determined, the calculation agent will instead make the necessary determination by reference to a group of commodities and options or another index and will apply a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Index.

If the calculation agent determines that the exchange-traded futures contracts included in the Index or the method of calculating the Index has been changed at any time in any respect — and whether the change is made by the Index administrator under its existing policies or following a modification of those policies, is due to the publication of a successor index, is due to events affecting one or more of the Index Commodities or is due to any other reason — that causes the Index not to fairly represent the value of the Index had such changes not been made or that otherwise affects the calculation of the performance of the Index, the Index Ending Level or the amount payable at maturity, call or upon early redemption, then the calculation agent may make adjustments in the method of calculating the Index that it believes are appropriate to ensure that the Index Performance Ratio used to determine the amount payable at maturity, call or upon early redemption is equitable. All determinations and adjustments to be made by the calculation agent with respect to the performance of the Index, Index Ending Level, the amount payable at maturity, call or upon early redemption or otherwise relating to the level of the Index may be made by the calculation agent in its sole discretion.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Trading Day

“Trading Day” means a day on which (i) the value of the Index is published by Bloomberg L.P. or Reuters, (ii) trading is generally conducted on NYSE Arca and (iii) trading is generally conducted on the markets on which the futures contracts comprising the Index are traded, in each case as determined by the calculation agent in its sole discretion.

Business Day

When we refer to a “Business Day” with respect to the Securities, we mean a day that is a “business day” of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B” above.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B” above, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Maturity Date,” “— Redemption Date” and “— Valuation Date” above.

Role of Calculation Agent

Our affiliate, UBS Securities LLC, will serve as the calculation agent for the Securities. We may change the calculation agent after the original issue date of the Securities without notice. The calculation agent will make all determinations regarding the value of the Securities at maturity, call or upon early redemption, market disruption events, Trading Days, the default amount, the Index Starting Level, the Index Ending Level and the amount payable in respect of your Securities. Absent manifest error, all determinations of the calculation agent will be final and binding on you and us, without any liability on the part of the calculation agent. You will not be entitled to any compensation from us for any loss suffered as a result of any of the above determinations by the calculation agent.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We may issue additional Securities in amounts that exceed the Stated Principal amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class, plus the aggregate Stated Principal Amount of any Securities bearing the same CUSIP number that are issued pursuant to (i) any over-allotment option we may grant to an agent and (ii) any future issuances of Securities bearing the same CUSIP number. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

6. ETRACS Alerian MLP Infrastructure Index ETN Series B due April 2, 2040

Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance of the VWAP Level calculated in accordance with the formula set forth below and will be reduced by the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period. We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.”

If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the difference between the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date, and the Accrued Tracking Fee, calculated as of the corresponding Coupon Valuation Date (the “Coupon Amount”).

To the extent the Reference Distribution Amount on any Coupon Valuation Date is equal to or less than the Accrued Tracking Fee on the corresponding Coupon Valuation Date, there will be no Coupon Amount payment made on the corresponding Coupon Payment Date, and an amount equal to the difference between the Accrued Tracking Fee and the Reference Distribution Amount (the “Tracking Fee Shortfall”) will be included in the Accrued Tracking Fee for the next Coupon Valuation Date. This process will be repeated to the extent necessary until the Reference Distribution Amount for a Coupon Valuation Date is greater than the Accrued Tracking Fee for the corresponding Coupon Valuation Date. The final Coupon Amount will be included in the Cash Settlement Amount.

The “Coupon Payment Date” means the 15th Index Business Day following each Coupon Valuation Date, provided that the final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be January 22, 2016.

The “Coupon Record Date” means the ninth Index Business Day following each Coupon Valuation Date.

The “Coupon Ex-Date,” with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the second Exchange Business Day prior to the applicable Coupon Record Date.

The “Coupon Valuation Date” means the 30th of March, June, September and December of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein. The first Coupon Valuation Date will be December 30, 2015.

The “Reference Distribution Amount” means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding September 30, 2015 to and including the first Coupon Valuation Date; and (ii) as of any other Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index constituent which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the distribution to holders of such Index constituent by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “Reference Holder” is, as of any date of determination, a hypothetical holder of a number of units of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, *divided by* (ii) the product of (a) the Index Divisor as of that date, and (b) the Initial VWAP Level divided by 25.

“record date” means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder of such Index constituent in order to be entitled to receive such distribution.

“ex-dividend date” means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

The “Quarterly Tracking Fee” means, as of any date of determination, an amount per Security equal to the product of (i) 0.2125% (equivalent to 0.85% per annum) and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

The “Current Indicative Value,” as determined by the Security Calculation Agent, means, as of any date of determination, an amount per Security equal to the product of (i) the Stated Principal Amount multiplied by (ii) a fraction, the numerator of which is equal to the VWAP Level (as defined under “— Cash Settlement Amount at Maturity”) as of such date and the denominator of which is equal to the Initial VWAP Level. As of October 7, 2015, the Current Indicative Value was 29.8737.

The “Accrued Tracking Fee” is:

- (1) with respect to the first Coupon Valuation Date, an amount equal to:
 - the Quarterly Tracking Fee calculated as of the first Coupon Valuation Date (for the avoidance of doubt, the calculation of the Accrued Tracking Fee with respect to the first Coupon Valuation Date will be for a full quarter beginning from and excluding September 30, 2015);
- (2) with respect to any Coupon Valuation Date, other than the first and last Coupon Valuation Dates, an amount equal to the Quarterly Tracking Fee as of such Coupon Valuation Date *plus* the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, if any; and
- (3) with respect to the last Coupon Valuation Date, an amount equal to:
 - (a) the product of
 - (i) the Quarterly Tracking Fee as of such Coupon Valuation Date and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date, and the denominator of which is 90, *plus*
 - (b) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date. If there is a Tracking Fee Shortfall on the last Coupon Valuation Date, it will be taken into account in determining the Cash Settlement Amount, as described below.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

Cash Settlement Amount at Maturity

The “Maturity Date” is April 2, 2040, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to:

- (a) the product of
 - (i) the Stated Principal Amount and
 - (ii) the Index Performance Ratio as of the last Index Business Day in the Final Measurement Period, *plus*

- (b) the final Coupon Amount, *minus*
- (c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The “Stated Principal Amount” of each Security is \$25.00.

You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the level of the Index (as measured by the Final VWAP Level, as compared to the Initial VWAP Level) is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or Adjusted Coupon Amount, as applicable, you may be entitled to receive), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment at maturity.

The “Index Performance Ratio” on any Index Business Day is calculated as follows:

$$\frac{\text{Final VWAP Level}}{\text{Initial VWAP Level}}$$

The “VWAP” with respect to each Index constituent, as of any date of determination, is the volume-weighted average price of one unit of such Index constituent as determined by the VWAP Calculation Agent based on the Primary Exchange for each Index constituent. For information about how the VWAP will be calculated to the extent a Disrupted Day exists with respect to an Index constituent, please see “— Market Disruption Event.”

The “Initial VWAP Level” is 487.420, the VWAP Level on March 31, 2010, as determined by the VWAP Calculation Agent. See “— VWAP Calculation Agent” below.

The “Final VWAP Level,” as determined by the VWAP Calculation Agent, will be the arithmetic mean of the VWAP Levels measured on each Index Business Day during the Final Measurement Period or Call Measurement Period or on any applicable Redemption Measurement Date, as applicable.

The “VWAP Level,” as determined by the VWAP Calculation Agent as of any Index Business Day, is equal to (1) the sum of the products of (i) the VWAP of each Index constituent as of such date and (ii) the published share weighting of that Index constituent as of such date divided by (2) the Index Divisor as of such date, or expressed as a formula, as follows:

where:

$$\text{VWAP Level} = \frac{\sum_{i=1}^n (\text{VWAP}_{i,t} * W_{i,t})}{\text{Index Divisor}_t}$$

n is the number of Index constituents;

$\text{VWAP}_{i,t}$ is the VWAP of Index constituent i as of Index Business Day t ;

$W_{i,t}$ is the published share weighting of Index constituent i as of Index Business Day t ; and

Index Divisor_t is the Index Divisor as of Index Business Day t .

As of October 7, 2015, the VWAP Level was 582.442.

The “Index Divisor,” as of any date of determination, is the divisor used by the Index Calculation Agent to calculate the level of the Index.

The “Accrued Tracking Fee” as of the last Index Business Day in the Final Measurement Period is an amount equal to:

- (a) the product of
 - (i) the Quarterly Tracking Fee calculated as of the last Index Business Day in the Final Measurement Period and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Calculation Date to and including the last Index Business Day in the Final Measurement Period, and the denominator of which is 90, *plus*
- (b) the Tracking Fee Shortfall as of the last Coupon Valuation Date, if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The “Final Measurement Period” means the five (5) Index Business Days from and including the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

The “Stub Reference Distribution Amount” means, as of the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the first Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, to and including the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold 4/5 ths, 3/5 ths, 2/5 ths and 1/5 th of the shares of each Index constituent it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Final Measurement Period or Call Measurement Period.

The “Index Calculation Agent” means the entity that calculates and publishes the level of the Index, which is currently S&P.

The “Calculation Date” means March 23, 2040, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“Index Business Day” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“Exchange Business Day” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“Business Day” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“Primary Exchange” means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

“Related Exchange” means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

Underlying Index

The Alerian MLP Infrastructure Index measures the performance of energy infrastructure master limited partnerships (“MLPs”), and is calculated by S&P Dow Jones Indices using a float-adjusted, capitalization-weighted methodology. We refer to the MLPs included in the Index as the “Index constituents.” The Index constituents earn the majority of their cash flow from gathering and processing, liquefaction, midstream services, pipeline transportation, rail terminating and storage of energy commodities.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the Business Day immediately preceding the applicable Redemption Valuation Date, provided that you request that we redeem a minimum of 50,000 Securities. For any applicable redemption request, the “Redemption Valuation Date” will be the first Index Business Day following the date that the applicable Redemption Notice and Redemption Confirmation are delivered. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the applicable Redemption Measurement Date (the “Redemption Date”). The first Redemption Date will be October 15, 2015. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index constituents, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

The applicable “Redemption Measurement Date” means the Index Business Day following the applicable Redemption Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

- (a) the product of
 - (i) the Stated Principal Amount and
 - (ii) the Index Performance Ratio as of the Redemption Measurement Date, *plus*

- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Redemption Valuation Date if on the Redemption Measurement Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*
- (c) the Adjusted Coupon Amount, if any, *minus*
- (d) the Accrued Tracking Fee as of the Redemption Measurement Date, *minus*
- (e) the Redemption Fee Amount.

We refer to this cash payment as the “Redemption Amount.” We have determined to offer all holders of the Securities the option, upon early redemption and solely for purposes of determining the Redemption Amount, but not for any other purpose, to elect that the Index Performance Ratio (which is used to calculate the Redemption Amount) be calculated using the Index Closing Level on the Redemption Measurement Date instead of the Final VWAP Level. If the redeeming holder so elects, the Index Performance Ratio will be calculated, for purposes of determining the Redemption Amount, as:

$$\frac{\text{Index Closing Level on the Redemption Measurement Date}}{\text{Initial VWAP Level}}$$

The “Index Closing Level” is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent.

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Measurement Date.

You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index (as measured by the Final VWAP Level as compared to the Initial VWAP Level) does not increase by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts, any Stub Reference Distribution Amount, as applicable, and/or any Adjusted Coupon Amount, you may be entitled to receive), you may lose some or all of your investment upon early redemption.

The Accrued Tracking Fee as of the Redemption Measurement Date is an amount equal to:

- (a) the product of
 - (i) the Quarterly Tracking Fee calculated as of the Redemption Measurement Date, and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Redemption Valuation Date to and including the Redemption Measurement Date, and the denominator of which is 90,

plus

- (b) the Adjusted Tracking Fee Shortfall, if any.

The “Adjusted Coupon Amount,” with respect to any Redemption Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, and the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Redemption Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall will be included in the calculation of the Accrued Tracking Fee as of the applicable Redemption Measurement Date.

The “Adjusted Reference Distribution Amount,” as of any Redemption Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date (or if the Redemption Valuation Date occurs prior to the first Coupon Valuation Date, the period from and excluding September 30, 2015) to and including such Redemption Valuation Date.

The “Adjusted Tracking Fee” is:

- (1) as of any Redemption Valuation Date occurring prior to the first Coupon Valuation Date, an amount equal to:
 - the product of
 - (i) the Quarterly Tracking Fee as of such Redemption Valuation Date and

- (ii) a fraction, the numerator of which is the total number of calendar days from and excluding September 30, 2015 to and including such Redemption Valuation Date, and the denominator of which is 90; and
- (2) as of any Redemption Valuation Date occurring on or after the first Coupon Valuation Date, an amount equal to:
 - (a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*
 - (b) the product of
 - (i) the Quarterly Tracking Fee as of such Redemption Valuation Date and
 - (iii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Valuation Date, and the denominator of which is 90.

The “Adjusted Tracking Fee Shortfall,” as of any Redemption Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date.

The “Redemption Fee Amount” means an amount equal to 0.125% of the Stated Principal Amount of the Securities.

Some of the defined terms used in this section have different applications when used in determining the Call Settlement Amount. For the definitions of the terms relevant to a call, please refer to “— UBS’s Call Right” below.

We discuss redemption in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Redemption and Payment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the repurchase feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “Redemption Notice” to UBS via email no later than 12:00 noon (New York City time) on the Business Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “Redemption Confirmation,” to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m. (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days’ prior notice to the holders of the Securities, such redemption to occur on any Business Day that we may specify on or after October 17, 2016 through and including the Maturity Date (the “Call Settlement Date”). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to:

- (a) the product of
 - (i) the Stated Principal Amount and
 - (ii) the Index Performance Ratio as of the last Index Business Day in the Call Measurement Period, *plus*

- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*
- (c) the Adjusted Coupon Amount, if any, *minus*
- (d) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*
- (e) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the “Call Settlement Amount.”

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the “Call Settlement Date”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “Call Measurement Period” means the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the Final VWAP Level, as compared to the Initial VWAP Level, is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or any Adjusted Coupon Amount, you may be entitled to receive), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment upon a call.

The Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period is an amount equal to:

- (a) the product of
 - (i) the Quarterly Tracking Fee calculated as of the last Index Business Day in such Call Measurement Period, and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Call Valuation Date to and including the last Index Business Day in such Call Measurement Period, and the denominator of which is 90, *plus*
- (b) the Adjusted Tracking Fee Shortfall (as defined below), if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The “Adjusted Coupon Amount,” with respect to the Call Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount (as defined below), calculated as of the Call Valuation Date, and the Adjusted Tracking Fee (as defined in the preceding paragraph), calculated as of such Call Valuation Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Call Settlement Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall (as defined below) will be included in the calculation of the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period.

The “Adjusted Reference Distribution Amount,” as of the Call Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including the Call Valuation Date.

The “Adjusted Tracking Fee” is, as of the Call Valuation Date, an amount equal to:

- (a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*
- (b) the product of
 - (i) the Quarterly Tracking Fee as of such Call Valuation Date and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Call Valuation Date, and the denominator of which is 90.

The “Adjusted Tracking Fee Shortfall,” as of the Call Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Call Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Call Valuation Date.

Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to “— Early Redemption at the Option of the Holders” above.

Security Calculation Agent

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will determine, among other things, the Current Indicative Value, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day, Exchange Business Day or Index Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

VWAP Calculation Agent

The NYSE will on each day that is not a Disrupted Day (as defined below) act as the “VWAP Calculation Agent.” The VWAP Calculation Agent will determine the VWAP of any Index constituent, the VWAP Level and the Final VWAP Level on any Index Business Day on which such VWAP, VWAP Level and Final VWAP Level are to be determined during the term of the Securities. The VWAP Calculation Agent determined the Initial VWAP Level of 487.420 as of March 31, 2010. All determinations made by the VWAP Calculation Agent will be at the sole discretion of the VWAP Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different VWAP Calculation Agent from time to time without your consent and without notifying you.

All calculations with respect to the VWAP of any Index constituent, any VWAP Level, and the Final VWAP Level will be rounded to the nearest thousandth, with five ten-thousandths rounded upward (e.g., .8765 would be rounded to .877).

Market Disruption Event

To the extent a Disrupted Day (as defined below) exists with respect to an Index constituent on an Averaging Date (as defined below) or on a Redemption Measurement Date, the VWAP and published share weighting with respect to such Index constituent (and only with respect to such Index constituent) for such Averaging Date or Redemption Measurement Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day that is not a Disrupted Day (the “Deferred Averaging Date”) with respect to such Index constituent irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the VWAP of a particular Index constituent being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the VWAP Levels on the Index Business Days during the Final Measurement Period or Call Measurement Period, or on the Redemption Measurement Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the VWAP and the published share weighting with respect to such Index constituent for such Deferred Averaging Date to the calculation of the VWAP Level (i) on the date(s) of the original disruption with respect to such Index constituent and (ii) such Averaging Date. For example, if the Final Measurement Period or Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the VWAP Levels on June 6, 2016, June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, but no other Market Disruption Event during the Final Measurement Period or Call Measurement Period, as applicable, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used more than once to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the VWAP for such disrupted Index constituent on June 7, 2016, June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016.

If the Redemption Measurement Date for purposes of calculating a Redemption Amount is based on the VWAP Level on June 6, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Measurement Date, as applicable, with respect to any Index constituent occurring more than three (3) Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Measurement Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Measurement Date, as applicable, is not an Index Business Day or is a Disrupted Day with respect to such Index constituent, the Security Calculation Agent or one of its affiliates will determine the VWAP and share weighting with respect to any Index constituent required to be determined for the purpose of calculating the applicable VWAP Level based on its good faith estimate of the VWAP and share weighting of each such Index constituent that would have prevailed on the Primary Exchange on such third Index Business Day but for such suspension or limitation.

An “Averaging Date” means each of the Index Business Days during the Final Measurement Period or Call Measurement Period, as applicable, subject to adjustment as described herein.

A “Disrupted Day” with respect to any Index constituent is any Index Business Day on which the Primary Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred and is continuing, and, in both cases, the occurrence of which is determined by the Security Calculation Agent to have a material effect on the VWAP Level.

With respect to an Index constituent, a “Market Disruption Event” means:

- (a) the occurrence or existence of a condition specified below:
 - (i) any suspension, absence or limitation of trading on the Primary Exchange for trading in the Index constituent, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise,
 - (ii) any suspension, absence or limitation of trading on the Related Exchange for trading in futures or options contracts related to the Index constituent, whether by reason of movements in price exceeding limits permitted by such Related Exchange or otherwise, or
 - (iii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Security Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the relevant Index constituent or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index constituent; or
- (b) the closure on any Index Business Day of the Primary Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Primary Exchange or such Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Primary Exchange or such Related Exchange on such Index Business Day and (ii) the submission deadline for orders to be entered into the Primary Exchange or such Related Exchange system for execution at the close of trading on such Index Business Day;

in each case determined by the Security Calculation Agent in its sole discretion; and

- (c) a determination by the Security Calculation Agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the Securities.

For purposes of the above definition:

- (a) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Primary Exchange or Related Exchange, and
- (b) for purposes of clause (a) above, limitations pursuant to the rules of any Primary Exchange or Related Exchange similar to NYSE Rule 80B or Nasdaq Rule 4120 (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B or Nasdaq Rule 4120 as determined by the Security Calculation Agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading.

“Scheduled Closing Time” means, with respect to the Primary Exchange or the Related Exchange, on any Index Business Day, the scheduled weekday closing time of the Primary Exchange or such Related Exchange on such Index Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in “Medium-Term Notes, Series B” above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.” In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the

Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by S&P or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation

If S&P discontinues publication of or otherwise fails to publish the Index, or S&P does not make the Index constituents, their share weighting and/or the Index Divisor available to the VWAP Calculation Agent, and the Index Sponsor, S&P or another entity publishes a successor or substitute index that the Security Calculation Agent determines to be comparable to the discontinued Index and for which the Index constituents, their share weighting, and/or the Index Divisor are available to the VWAP Calculation Agent (such index being referred to herein as a "successor index"), then the VWAP Level for such successor index will be determined by the VWAP Calculation Agent by reference to the sum of the products of the VWAPs of the components underlying such successor index on the Primary Exchanges and each such component's respective weighting within the successor index (which sum will be adjusted by any index divisor used by such successor index) on the dates and at the times as of which the VWAP Levels for such successor index are to be determined.

Upon any selection by the Security Calculation Agent of a successor Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If S&P discontinues publication of the Index or does not make the Index constituents, their share weightings and/or Index Divisor available to the VWAP Calculation Agent prior to, and such discontinuation or unavailability is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined, then the Security Calculation Agent will determine the relevant VWAP Levels using the VWAP and published share weighting of each Index constituent included in the Index or successor index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the VWAP Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the VWAP Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at a VWAP level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the VWAP Levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Final VWAP Level, the Current Indicative Value, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, and the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, based on the relevant VWAP Levels calculated by the VWAP Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the VWAP Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at a VWAP Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B”.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B” above, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate stated principal amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed such amount any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

7. ETRACS MVIS Business Development Companies Index ETN due April 26, 2041

Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

These Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. At maturity, you will receive a cash payment the amount of which will vary depending on the performance of the Index and will be reduced by the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, as described under “— Cash Settlement Amount at Maturity.” We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.”

If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each quarterly Coupon Payment Date you will receive an amount in cash equal to the difference between the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date, and the Accrued Tracking Fee, calculated as of the corresponding Coupon Valuation Date (the “Coupon Amount”).

To the extent the Reference Distribution Amount on any Coupon Valuation Date is equal to or less than the Accrued Tracking Fee on the corresponding Coupon Valuation Date, there will be no Coupon Amount payment made on that Coupon Payment Date, and an amount equal to the difference between the Accrued Tracking Fee and the Reference Distribution Amount (the “Tracking Fee Shortfall”) will be included in the Accrued Tracking Fee and will reduce the Coupon Amount for the next Coupon Valuation Date. This process will be repeated to the extent necessary until the Reference Distribution Amount for a Coupon Valuation Date is greater than the Accrued Tracking Fee for the corresponding Coupon Valuation Date. The final Coupon Amount will be included in the Cash Settlement Amount.

The “**Coupon Payment Date**” means the 15th Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the second Exchange Business Day prior to the applicable Coupon Record Date.

The “**Coupon Valuation Date**” means the 30th of March, June, September and December of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein..

The “**Reference Distribution Amount**” means as of any Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index constituent which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the distribution to holders of such Index constituent by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “**Reference Holder**” is, as of any date of determination, a hypothetical holder of a number of units of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, as described under “MVIS US Business Development Companies Index — Float Adjustment,” *divided by* (ii) the product of (a) the Divisor as of that date and (b) the Initial Index Level *divided by* 25.

“**record date**” means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder of such Index constituent in order to be entitled to receive such distribution.

“**ex-dividend date**” means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

The “**Annual Tracking Fee**” means, as of any date of determination, an amount per Security equal to the product of (i) 0.85% per annum and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

The “**Current Indicative Value**,” as determined by the Security Calculation Agent, means, as of any date of determination, an amount per Security equal to the product of (i) the Stated Principal Amount *times* (ii) the Index Performance Ratio (as defined under “— Cash Settlement Amount at Maturity”) as of such date, using the Index Closing Level on such date as the Final Index Level. As of July 30, 2021, the Current Indicative Value was \$19.3744.

The “**Accrued Tracking Fee**” is:

- (1) with respect to the first Coupon Valuation Date, an amount equal to the product of
 - (a) the Annual Tracking Fee calculated as of the first Coupon Valuation Date, and
 - (b) a fraction, the numerator of which is the total number of calendar days from and excluding September 30, 2015 to and including such Coupon Valuation Date, and the denominator of which is 365;and
- (2) with respect to any Coupon Valuation Date other than the first Coupon Valuation Date, an amount equal to
 - (a) the product of
 - (i) the Annual Tracking Fee as of such Coupon Valuation Date, and
 - (i) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date, and the denominator of which is 365, *plus*
 - (b) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date. If there is a Tracking Fee Shortfall on the last Coupon Valuation Date, it will be taken into account in determining the Cash Settlement Amount, as described below.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the Index Closing Level.

Cash Settlement Amount at Maturity

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to

- (a) the product of

- (i) the Stated Principal Amount and
- (ii) the Index Performance Ratio as of the last Index Business Day in the Final Measurement Period, *plus*
- (b) the final Coupon Amount, *minus*
- (c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the level of the Index (as measured by the Final Index Level, as compared to the Initial Index Level) is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or Adjusted Coupon Amount, as applicable, you may be entitled to receive) or if the Final Index Level is less than the Initial Index Level, you may lose some or all of your investment at maturity.

The “Stated Principal Amount” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices, which may be significantly higher or lower than the Stated Principal Amount.

The Index Performance Ratio on any Index Business Day is calculated as follows:

$$\frac{\text{Final Index Level}}{\text{Initial Index Level}}$$

The “**Initial Index Level**” is adjusted on the Effective Date to be equal to (a) the Index Closing Level of the Index on the Effective Date *multiplied by* (b) (i) 904.113 (the original Initial Index Level) *divided by* (ii) the Index Closing Level of the Original Index on the Effective Date. The adjusted Initial index Level is 692.808593.

As determined by the Security Calculation Agent, the “Final Index Level” is the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the Final Measurement Period or the Call Measurement Period, or the Index Closing Level on any Redemption Valuation Date; provided that if the Redemption Valuation Date falls in the Call Measurement Period or the Final Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Final Index Level on any date of determination during the Call Measurement Period or the Final Measurement Period shall equal (a) 1/10 *times* (b) (i) the sum of the Index Closing Levels on each Index Business Day from and including the Call Valuation Date or the Calculation Date, as applicable, to but excluding the date of determination *plus* (ii) the number of Index Business Days from and including the date of determination to and including the last Index Business Day in the Call Measurement Period or the Final Measurement Period, as applicable, *times* the Index Closing Level on the date of determination.

The “**Index Closing Level**” is the closing level of the Index as reported on Bloomberg.

The “**Accrued Tracking Fee**” as of the last Index Business Day in the Final Measurement Period is an amount equal to

- (a) the product of
 - (i) the Annual Tracking Fee calculated as of the last Index Business Day in the Final Measurement
 - (ii) Period and
 - (iii) a fraction, the numerator of which is the total number of calendar days from and excluding the Calculation Date to and including the last Index Business Day in the Final Measurement Period, and the denominator of which is 365, *plus*
- (b) the Tracking Fee Shortfall as of the last Coupon Valuation Date, if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the Index Closing Level.

The “**Final Measurement Period**” means the ten Index Business Days from and including the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

The “**Stub Reference Distribution Amount**” means, as of the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the first Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, to and including the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold nine-tenths, eight-tenths, seven-tenths, six-tenths, five-tenths, four-tenths, three-tenths, two-tenths and one-tenth of the shares of each Index constituent it would otherwise hold on the second, third, fourth, fifth, sixth, seventh, eighth, ninth and tenth Index Business Day, respectively, in such Final Measurement Period or Call Measurement Period.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is Solactive AG as of market close on July 30, 2021.

The “**Calculation Date**” means April 9, 2041, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“**Index Business Day**” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“**Exchange Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading and is also a valid settlement date.

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

“**Related Exchange**” means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

Underlying Index

The return on the Securities is linked to the performance of the MVIS US Business Development Companies Index, the successor index to the Wells Fargo® Business Development Company Index (the “**Original Index**”) effective after market close on the July 30, 2021 (the “**Effective Date**”). On April 26, 2021, the Security Calculation Agent announced that, pursuant to the terms of the Securities, it has determined that the Index is comparable to the Original Index and approved the Index as the successor index for the Securities following the discontinuation of publication of the Original Index. The Index is intended to measure the performance of the largest and most liquid companies which are treated as business development companies and are incorporated in the United States. The “**Index Sponsor**” is MV Index Solutions GmbH.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request on any Business Day during the term of the Securities to have us redeem your Securities (“**Redemption Notice**”) on any Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption (“**Redemption Confirmation**”) by no later than 5:00 p.m., New York City time, on any Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The final Redemption Date will be April 18, 2041; provided that if a call notice has been issued, the last Redemption Valuation Date is the fifth Index Business Day prior to the Call Settlement Date in connection with the call notice. (See “Specific Terms of the Securities — UBS’s Call Right”). If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index constituents, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

For any applicable redemption request, the “Redemption Valuation Date” will be the first Index Business Day following the date that the applicable Redemption Notice and Redemption Confirmation are delivered. You may request that UBS AG accelerate the Redemption Valuation Date to the date on which you deliver the applicable Redemption Notice and Redemption Confirmation instead of the Index Business Day following such date. If UBS AG approves such request, in its sole discretion on a case-by-case basis, the Redemption Valuation Date for such redemption shall be the date on which you deliver the applicable Redemption Notice and Redemption Confirmation instead of the Index Business Day following such date. You should not assume that you will be entitled to any such acceleration. UBS AG will be under no obligation to approve any such request, or to make any announcement regarding any decision by it to approve any such request.

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

- (a) the product of
 - (i) the Stated Principal Amount and
 - (ii) the Index Performance Ratio as of the Redemption Valuation Date, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Redemption Valuation Date if on the Redemption Valuation Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*
- (c) the Adjusted Coupon Amount, if any, *minus*
- (d) the Adjusted Tracking Fee Shortfall, if any, as of the Redemption Valuation Date, *minus*
- (e) the Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount.**”

For purposes of calculating the Redemption Amount, either the Adjusted Coupon Amount will be included or the Adjusted Tracking Fee Shortfall will be subtracted, but not both.

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index (as measured by the Final Index Level, as compared to the Initial Index Level) does not increase by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts, any Stub Reference Distribution Amount, as applicable, and/or any Adjusted Coupon Amount you may be entitled to receive) or if the Final Index Level is less than the Initial Index Level, you may lose some or all of your investment upon early redemption.

The “Adjusted Coupon Amount,” with respect to any Redemption Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount, calculated as of the applicable Redemption Valuation Date, and the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, is greater than or equal to the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date.

The “Adjusted Reference Distribution Amount,” as of any Redemption Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Valuation Date.

The “**Adjusted Tracking Fee**” is, as of the Call Valuation Date or any Redemption Valuation Date, as applicable, an amount equal to:

- (a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, *plus*
- (b) the product of

- (i) the Annual Tracking Fee as of such Redemption Valuation Date or Call Valuation Date and
- (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Valuation Date or Call Valuation Date, and the denominator of which is 365.

The “**Adjusted Tracking Fee Shortfall**,” as of any Redemption Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Redemption Valuation Date.

The “**Redemption Fee Amount**” means, as of any date of determination, an amount per Security equal to the product of (i) 0.125% and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

Some of the defined terms used in this section have different applications when used in determining the Call Settlement Amount. For the definitions of the terms relevant to a call, please refer to “— UBS’s Call Right”.

We discuss redemption in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Redemption and Repayment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via email no later than 12:00 noon, New York City time, on the Business Day immediately preceding the applicable Redemption Valuation Date. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption to us via facsimile in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon, New York City time, or your confirmation of redemption after 5:00 p.m., New York City time, on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than 18 calendar days’ prior notice to the holders of the Securities, such redemption to occur on any Exchange Business Day (or if such day is not an Exchange Business Day, the next Exchange Business Day) that we may specify through and including the Maturity Date (the “Call Settlement Date”). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to:

- (a) the product of
 - (i) the Stated Principal Amount and (ii) the Index Performance Ratio as of the last Index Business Day in the Call Measurement Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*
- (c) the Adjusted Coupon Amount, if any, *minus*
- (d) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*

(e) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the “Call Settlement Amount.”

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

If UBS issues a call notice on any calendar day, the “Call Valuation Date” will be the fifth Business Day following the calendar day on which the call notice is issued.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the “Call Settlement Date”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “Call Measurement Period” means the ten Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Final Index Level, as compared to the Initial Index Level) is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or any Adjusted Coupon Amount, you may be entitled to receive) or if the Final Index Level is less than the Initial Index Level, you may lose some or all of your investment upon a call.

The “**Accrued Tracking Fee**” as of the last Index Business Day in the Call Measurement Period is an amount equal to:

- (a) the product of
 - (i) the Annual Tracking Fee calculated as of the last Index Business Day in the Call Measurement Period, and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Call Valuation Date to and including the last Index Business Day in the Call Measurement Period, and the denominator of which is 365, *plus*
- (b) the Adjusted Tracking Fee Shortfall (as defined below), if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the Index Closing Level.

The “Adjusted Coupon Amount,” with respect to the Call Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount (as defined below), calculated as of the Call Valuation Date, and the Adjusted Tracking Fee (as defined below), calculated as of the Call Valuation Date, to the extent that the Adjusted Reference Distribution Amount, calculated as of the Call Valuation Date, is greater than or equal to the Adjusted Tracking Fee, calculated as of the Call Valuation Date.

The “Adjusted Reference Distribution Amount,” as of the Call Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including the Call Valuation Date.

The “**Adjusted Tracking Fee**”, as of the Call Valuation Date, is an amount equal to

- (a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*
- (b) the product of
 - (i) the Annual Tracking Fee as of such Call Valuation Date and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Call Valuation Date, and the denominator of which is 365.

The “**Adjusted Tracking Fee Shortfall**,” as of the Call Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of the Call Valuation Date, is less than the Adjusted Tracking Fee, calculated as of the Call Valuation Date.

Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to “— Early Redemption at the Option of the Holders”.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will determine, among other things, the Current Indicative Value, the Final Index Level, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Annual Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day, Index Business Day or Exchange Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Annual Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate stated principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below) or on a Redemption Valuation Date, the Index Closing Level for such Averaging Date or Redemption Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the “Deferred Averaging Date”) with respect to the Index irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on the Index Business Days during the Final Measurement Period or the Call Measurement Period, or on the Redemption Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the Final Measurement Period or Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6, October 7, October 10, October 11, October 12, October 13 and October 14, and there is a Market Disruption Event with respect to the Index on October 3, but no other Market Disruption Event during the Final Measurement Period or the Call Measurement Period, as applicable, then the Index Closing Level on October 4 will be used twice to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6, October 7, October 10, October 11, October 12, October 13 and October 14.

If the Redemption Valuation Date for purposes of calculating a Redemption Amount is based on the Index Closing Level on October 3, 2016 and there is a Market Disruption Event with respect to the Index on October 3, 2016, then the Index Closing Level on October 4, 2016 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Valuation Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Valuation Date, as applicable, is not an Index Business Day or a Market Disruption Event has occurred or is continuing with respect to the Index on such third Index Business Day, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event.

An “Averaging Date” means each of the Index Business Days during the Final Measurement Period or the Call Measurement Period, as applicable, subject to adjustment as described herein.

Notwithstanding the occurrence of one or more of the events below, which may, in the Security Calculation Agent’s discretion, constitute a Market Disruption Event with respect to the Index, the Security Calculation Agent in its discretion may waive its right to postpone the Index Closing Level if it determines that one or more of the below events has not and is not likely to materially impair its ability to determine the Index Closing Level on such date.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index constituents for more than two hours or during the one-half hour before the close of trading in the applicable market or markets;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index constituent equity interests in the primary market or markets for those contracts for more than two hours of trading or during the one-half hour before the close of trading in that market;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index constituent equity interests.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index constituent equity interests are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in “Medium-Term Notes, Series B” above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars for the principal of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuation of the Index; Alteration of Method of Calculation

If the Index Sponsor or the Index Calculation Agent discontinues publication of or otherwise fails to publish the Index, and the Index Sponsor, the Index Calculation Agent or another entity publishes a successor or substitute index that the Security Calculation Agent determines to be comparable to the discontinued Index (such index being referred to herein as a “**successor index**”), then the Index Closing Level for such successor index will be determined by the Security Calculation Agent by reference to the successor index on the dates and at the times as of which the Index Closing Levels for such successor index are to be determined.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or the Index Calculation Agent discontinues publication of the Index prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on, the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the closing level and published share weighting of each Index constituent included in the Index or successor index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions as described under “MVIS US Business Development Companies Index — Corporate Events.”

In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at a level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Current Indicative Value, the Final Index Level, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Annual Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon redemption, if applicable, or the Call Settlement Amount that we will pay you on the Call Settlement Date, if applicable, based on the relevant index levels calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at a level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B”.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B”, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Defeasance

Neither full defeasance nor covenant defeasance, as described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Defeasance and Covenant Defeasance,” will apply to the Securities.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate stated principal amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed such amount at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B”.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

8. ETRACS Alerian MLP Index ETN Series B due July 18, 2042

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015, between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance of the VWAP Level calculated in accordance with the formula set forth below and will be reduced by the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period. We refer to this cash payment as the “Cash Settlement Amount.” If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.”

The Securities may pay a cash coupon during their term.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the excess, if any, of the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date, over the Accrued Tracking Fee, calculated as of the corresponding Coupon Valuation Date (the “Coupon Amount”).

To the extent the Reference Distribution Amount on any Coupon Valuation Date is equal to or less than the Accrued Tracking Fee on the corresponding Coupon Valuation Date, there will be no Coupon Amount payment made on the corresponding Coupon Payment Date, and an amount equal to the difference between the Accrued Tracking Fee and the Reference Distribution Amount (the “Tracking Fee Shortfall”) will be included in the Accrued Tracking Fee for the next Coupon Valuation Date. This process will be repeated to the extent necessary until the Reference Distribution Amount for a Coupon Valuation Date is greater than the Accrued Tracking Fee for the corresponding Coupon Valuation Date. The final Coupon Amount will be included in the Cash Settlement Amount.

The “Coupon Payment Date” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date, provided that the final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be December 8, 2015.

The “Coupon Record Date” means the ninth (9th) Index Business Day following each Coupon Valuation Date.

The “Coupon Ex-Date,” with respect to a Coupon Amount, means the first (1st) Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the second (2nd) Exchange Business Day prior to the applicable Coupon Record Date.

The “Coupon Valuation Date” means the fifteenth (15th) of February, May, August and November of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein. The first Coupon Valuation Date will be November 16, 2015.

The “Reference Distribution Amount” means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding August 17, 2015 to and including the first Coupon Valuation Date; and (ii) as of any other Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index constituent which are scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the distribution to holders of such Index constituent by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “Reference Holder” is, as of any date of determination, a hypothetical holder of a number of units of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, *divided by* (ii) the product of (a) the Index Divisor as of that date, and (b) the Initial VWAP Level *divided by* 25.

“record date” means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder of such Index constituent in order to be entitled to receive such distribution.

“ex-dividend date” means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

The “Quarterly Tracking Fee” means, as of any date of determination, an amount per Security equal to the product of (i) 0.20% (equivalent to 0.80% per annum) and (ii) the Current Indicative Value as of the immediately preceding Index Business Day.

The “Current Indicative Value,” as determined by the Security Calculation Agent, means, as of any date of determination, an amount per Security equal to the product of (i) the Stated Principal Amount *multiplied by* (ii) a fraction, the numerator of which is equal to the VWAP Level (as defined under “— Cash Settlement Amount at Maturity”) as of such date and the denominator of which is equal to the Initial VWAP Level. As of October 7, 2015, the Current Indicative Value was 21.4587.

The “Accrued Tracking Fee” is:

- (1) with respect to the first Coupon Valuation Date, an amount equal to
the Quarterly Tracking Fee calculated as of the first Coupon Valuation Date (for the avoidance of doubt, the calculation of the Accrued Tracking Fee with respect to the first Coupon Valuation Date will be for a full quarter beginning from and excluding August 17, 2015);
- (2) with respect to any Coupon Valuation Date, other than the first and last Coupon Valuation Dates, an amount equal to the Quarterly Tracking Fee as of such Coupon Valuation Date, *plus* the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, if any; and
- (3) with respect to the last Coupon Valuation Date, an amount equal to
 - (a) the product of
 - (i) the Quarterly Tracking Fee as of such Coupon Valuation Date and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date, and the denominator of which is 90, *plus*
 - (b) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date. If there is a Tracking Fee Shortfall on the last Coupon Valuation Date, it will be taken into account in determining the Cash Settlement Amount, as described below.

The calculation of the Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

Cash Settlement Amount at Maturity

The “Maturity Date” is July 18, 2042, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to

- (a) the product of
 - (i) the Stated Principal Amount and
 - (ii) the Index Performance Ratio as of the last Index Business Day in the Final Measurement Period, *plus*
- (b) the final Coupon Amount, *minus*
- (c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “Cash Settlement Amount.” If the amount calculated above is equal to or less than zero, the payment at maturity will be zero.

You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the level of the Index increases (as measured by the Final VWAP Level, as compared to the Initial VWAP Level), such increase may be insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, Stub Reference Distribution Amount and/ or Adjusted Coupon Amount, as applicable, you may be entitled to receive), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment at maturity.

The “Stated Principal Amount” of each Security is \$25.00.

The “Index Performance Ratio” on any Index Business Day is calculated as follows:

$$\frac{\text{Final VWAP Level}}{\text{Initial VWAP Level}}$$

The “VWAP” with respect to each Index constituent, as of any date of determination, is the volume-weighted average price of one unit of such Index constituent as determined by the VWAP Calculation Agent based on the Primary Exchange for each Index constituent. For information about how the VWAP will be calculated to the extent a Disrupted Day exists with respect to an Index constituent, please see “— Market Disruption Event.”

The “Initial VWAP Level” is 396.997, the VWAP Level on July 17, 2012, as determined by the VWAP Calculation Agent. See “— VWAP Calculation Agent” below.

The “Final VWAP Level,” as determined by the VWAP Calculation Agent, will be the arithmetic mean of the VWAP Levels measured on each Index Business Day during the Final Measurement Period or the Call Measurement Period or on any applicable Redemption Measurement Date, as applicable.

The “VWAP Level,” as determined by the VWAP Calculation Agent as of any Index Business Day, is equal to (1) the sum of the products of (i) the VWAP of each Index constituent as of such date and (ii) the published unit weighting of that Index constituent as of such date *divided by* (2) the Index Divisor as of such date, or expressed as a formula, as follows:

$$\text{VWAP Level} = \frac{\sum_{i=1}^n (VWAP_{i,t} * W_{i,t})}{\text{Index Divisor}_t}$$

where:

n is the number of Index constituents;

$VWAP_{i,t}$ is the VWAP of Index constituent i as of Index Business Day t ;

$W_{i,t}$ is the published unit weighting of Index constituent i as of Index Business Day t ; and

Index Divisor_t is the Index Divisor as of Index Business Day t .

As of October 7, 2015, the VWAP Level was 340.761.

The “Index Divisor,” as of any date of determination, is the divisor used by the Index Calculation Agent to calculate the level of the Index, as further described under “Alerian MLP Index — Index Equations”.

The “Accrued Tracking Fee” as of the last Index Business Day in the Final Measurement Period is an amount equal to

- (a) the product of
 - (i) the Quarterly Tracking Fee calculated as of the last Index Business Day in the Final Measurement Period and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Calculation Date to and including the last Index Business Day in the Final Measurement Period, and the denominator of which is 90, *plus*
- (b) the Tracking Fee Shortfall as of the last Coupon Valuation Date, if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The “Final Measurement Period” means the five (5) Index Business Days from and including the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

The “Stub Reference Distribution Amount” means, as of the last Index Business Day in the Final Measurement Period or the Call Measurement Period, as applicable, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the first Index Business Day in the Final Measurement Period or the Call Measurement Period, as applicable, to and including the last Index Business Day in the Final Measurement Period or the Call Measurement Period, as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold 4/5 ths, 3/5 ths, 2/5 ths and 1/5 th of the shares of each Index constituent it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Final Measurement Period or the Call Measurement Period.

The “Index Calculation Agent” means the entity that calculates and publishes the level of the Index, which is currently S&P.

The “Calculation Date” means July 9, 2042, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“Index Business Day” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“Exchange Business Day” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“Primary Exchange” means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

“Related Exchange” means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

Underlying Index

The Alerian MLP Index measures the composite performance of energy master limited partnerships (“MLPs”), and is calculated by S&P Dow Jones Indices using a float-adjusted, capitalization-weighted methodology. We refer to the MLPs included in the Index as the “Index constituents.” The Index constituents earn the majority of their cash flow from qualifying activities involving energy commodities, which include pipeline transportation, gathering and processing, storage, production and mining, marketing, marine transportation, services, catalytic conversion, mineral interest, refining, regasification and other related activities.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the applicable Redemption Notice Date, provided that you request that we redeem a minimum of 50,000 Securities. For any applicable redemption request, the “Redemption Notice Date” will be the date that the applicable Redemption Notice and Redemption Confirmation are delivered. If such Redemption Notice or Redemption Confirmation is delivered on a day that is not an Index Business Day, then the Redemption Notice Date shall be the next Index Business Day. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We may from time to time in our sole discretion reduce, in part or in whole, the minimum redemption amount of 50,000 Securities. Any such reduction will be applied on a consistent basis for all holders of the Securities at the time the reduction becomes effective.

The Securities will be redeemed and the holders will receive payment for their Securities on the third Business Day following the applicable Redemption Measurement Date (the “Redemption Date”). The first Redemption Date will be October 15, 2015. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Measurement Date with respect to any of the Index constituents, such Redemption Measurement Date may be postponed as described under “— Market Disruption Event.”

The applicable “Redemption Measurement Date” means the Index Business Day following the applicable Redemption Notice Date, subject to adjustments as described under “— Market Disruption Event.”

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to

- (a) the product of
 - (i) the Stated Principal Amount and
 - (ii) the Index Performance Ratio as of the Redemption Measurement Date, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Redemption Measurement Date if on the Redemption Measurement Date the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*
- (c) the Adjusted Coupon Amount, if any, *minus*
- (d) the Adjusted Tracking Fee Shortfall, if any, *minus*
- (e) the Redemption Fee Amount.

We refer to this cash payment as the “Redemption Amount.” We have determined to offer all holders of the Securities the option, upon early redemption and solely for purposes of determining the Redemption Amount, but not for any other purpose, to elect that the Index Performance Ratio (which is used to calculate the Redemption Amount) be calculated using the Index Closing Level on the Redemption Measurement Date instead of the Final VWAP Level. If the redeeming holder so elects, the Index Performance Ratio will be calculated, for purposes of determining the Redemption Amount, as:

$$\frac{\text{Index Closing Level on the Redemption Measurement Date}}{\text{Initial VWAP Level}}$$

The “Index Closing Level” is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent.

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Measurement Date.

You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index (as measured by the Final VWAP Level) does not increase as compared to the Initial VWAP Level by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts, any Stub Reference Distribution Amount, as applicable, and/or any Adjusted Coupon Amount you may be entitled to receive), you may lose some or all of your investment upon early redemption.

The “Adjusted Coupon Amount,” with respect to any Redemption Measurement Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount, calculated as of such Redemption Measurement Date, and the Adjusted Tracking Fee, calculated as of such Redemption Measurement Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Redemption Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall will be included in the calculation of Redemption Amount.

The “Adjusted Reference Distribution Amount,” as of any Redemption Measurement Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date (or if the Redemption Measurement Date occurs prior to the first Coupon Valuation Date, the period from and excluding August 17, 2015) to and including such Redemption Measurement Date.

The “Adjusted Tracking Fee” is:

- (1) as of any Redemption Measurement Date occurring prior to the first Coupon Valuation Date, an amount equal to the product of
 - (i) the Quarterly Tracking Fee as of such Redemption Measurement Date and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding August 17, 2015 to and including such Redemption Measurement Date, and the denominator of which is 90; and
- (2) as of any Redemption Measurement Date occurring on or after the first Coupon Valuation Date, an amount equal to
 - (a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date *plus*
 - (b) the product of
 - (i) the Quarterly Tracking Fee as of such Redemption Measurement Date and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Redemption Measurement Date, and the denominator of which is 90.

The “Adjusted Tracking Fee Shortfall,” as of any Redemption Measurement Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Redemption Measurement Date, is less than the Adjusted Tracking Fee, calculated as of such Redemption Measurement Date.

The “Redemption Fee Amount” means an amount equal to 0.125% of the Current Indicative Value.

Some of the defined terms used in this section have different applications when used in determining the Call Settlement Amount. For the definitions of the terms relevant to a call, please refer to “— UBS Call Right.”

We discuss redemption in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Redemption and Repayment”.

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the repurchase feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption to UBS via e-mail no later than 12:00 noon, New York City time, on the applicable Redemption Notice Date. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “Redemption Confirmation,” to us via facsimile in the specified form by 5:00 p.m., New York City time on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Measurement Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 10:00 a.m., New York City time, on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon, New York City time, or your confirmation of redemption after 5:00 p.m., New York City time, on the applicable Redemption Notice Date, your notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

UBS Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen calendar days’ prior notice to the holders of the Securities, such redemption to occur on any Business Day that we may specify on or after October 17, 2016 through and including the Maturity Date (the “Call Settlement Date”). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

- (a) the product of
 - (i) the Stated Principal Amount and
 - (ii) the Index Performance Ratio as of the last Index Business Day in the Call Measurement Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *plus*
- (c) the Adjusted Coupon Amount, if any, *minus*
- (d) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*
- (e) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the “Call Settlement Amount.”

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

If UBS issues a call notice on any calendar day, the “Call Valuation Date” will be the last Business Day of the week in which the call notice is issued, generally Friday, subject to a minimum five (5) calendar day period commencing on the date of the issuance of the call notice and ending on the related Call Valuation Date. If UBS issues a call notice on a Friday, the related Call Valuation Date will fall on the following Friday. The Call Settlement Date will be the third Business Day following the last Index Business Day in the Call Measurement Period.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the “Call Settlement Date”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “Call Measurement Period” means the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the Final VWAP Level, as compared to the Initial VWAP Level, is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts, any Stub Reference Distribution Amount and/or any Adjusted Coupon Amount), or if the Final VWAP Level is less than the Initial VWAP Level, you may lose some or all of your investment upon a call.

The Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period is an amount equal to

- (a) the product of
 - (i) the Quarterly Tracking Fee calculated as of the last Index Business Day in such Call Measurement Period, and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the Call Valuation Date to and including the last Index Business Day in such Call Measurement Period, and the denominator of which is 90, *plus*
- (b) the Adjusted Tracking Fee Shortfall (as defined below), if any.

The Accrued Tracking Fee also takes into account the performance of the Index, as measured by the VWAP Level.

The “Adjusted Coupon Amount,” with respect to the Call Valuation Date, is an amount in cash equal to the difference between the Adjusted Reference Distribution Amount (as defined below), calculated as of the Call Valuation Date, and the Adjusted Tracking Fee (as defined in the preceding paragraph), calculated as of such Call Valuation Date. To the extent the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee, the Call Settlement Amount will not include an Adjusted Coupon Amount, and the Adjusted Tracking Fee Shortfall (as defined below) will be included in the calculation of the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period.

The “Adjusted Reference Distribution Amount,” as of the Call Valuation Date, is an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to an Index constituent, for those cash distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including the Call Valuation Date.

The “Adjusted Tracking Fee” is:

as of the Call Valuation Date, an amount equal to

- (a) the Tracking Fee Shortfall as of the immediately preceding Coupon Valuation Date, *plus*
- (b) the product of
 - (i) the Quarterly Tracking Fee as of such Call Valuation Date and
 - (ii) a fraction, the numerator of which is the total number of calendar days from and excluding the immediately preceding Coupon Valuation Date to and including such Call Valuation Date, and the denominator of which is 90.

The “Adjusted Tracking Fee Shortfall,” as of the Call Valuation Date, is the difference between the Adjusted Tracking Fee and the Adjusted Reference Distribution Amount, to the extent that the Adjusted Reference Distribution Amount, calculated as of such Call Valuation Date, is less than the Adjusted Tracking Fee, calculated as of such Call Valuation Date.

Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to “— Early Redemption at the Option of the Holders”.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will determine, among other things, the Current Indicative Value, Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day, Exchange Business Day or Index Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. The holder of the Securities shall not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 p.m., New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

VWAP Calculation Agent

The NYSE will on each day that is not a Disrupted Day (as defined below) act as the VWAP Calculation Agent. The VWAP Calculation Agent will determine the VWAP of any Index constituent, the VWAP Level and the Final VWAP Level on any Index Business Day on which such VWAP, VWAP Level and Final VWAP Level are to be determined during the term of the Securities. The VWAP Calculation Agent determined the Initial VWAP Level of 396.997 as of July 17, 2012. All determinations made by the VWAP Calculation Agent will be at the sole discretion of the VWAP Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different VWAP Calculation Agent from time to time without your consent and without notifying you.

All calculations with respect to the VWAP of any Index constituent, any VWAP Level and the Final VWAP Level will be rounded to the nearest thousandth, with five ten-thousandths rounded upward (*e.g.*, .8765 would be rounded to .877).

Market Disruption Event

To the extent a Disrupted Day (as defined below) exists with respect to an Index constituent on an Averaging Date (as defined below) or on a Redemption Measurement Date, the VWAP and published unit weighting with respect to such Index constituent (and only with respect to such Index constituent) for such Averaging Date or Redemption Measurement Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day that is not a Disrupted Day (the “Deferred Averaging Date”) with respect to such Index constituent irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the VWAP of a particular Index constituent being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the VWAP Levels on the Index Business Days during the Final Measurement Period or the Call Measurement Period, or on the Redemption Measurement Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the VWAP and the published unit weighting with respect to such Index constituent for such Deferred Averaging Date to the calculation of the VWAP Level (i) on the date(s) of the original disruption with respect to such Index constituent and (ii) such Averaging Date. For example, if the Final Measurement Period or the Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the VWAP Levels on June 6, 2016, June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, but no other Market Disruption Event during the Final Measurement Period or the Call Measurement Period, as applicable, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used more than once to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the VWAP for such disrupted Index constituent on June 7, 2016, June 8, 2016, June 9, 2016 and June 10, 2016.

If the Redemption Measurement Date for purposes of calculating a Redemption Amount is based on the VWAP Level on June 6, 2016 and there is a Market Disruption Event for an Index constituent on June 6, 2016, then the VWAP for such disrupted Index constituent on June 7, 2016 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Measurement Date, as applicable, with respect to any Index constituent occurring more than three (3) Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Measurement Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Measurement Date, as applicable, is not an Index Business Day or is a Disrupted Day with respect to such Index constituent, the Security Calculation Agent or one of its affiliates will determine the VWAP and unit weighting with respect to any Index constituent required to be determined for the purpose of calculating the applicable VWAP Level based on its good faith estimate of the VWAP and unit weighting of each such Index constituent that would have prevailed on the Primary Exchange on such third Index Business Day but for such suspension or limitation.

An “Averaging Date” means each of the Index Business Days during the Final Measurement Period or the Call Measurement Period, as applicable, subject to adjustment as described herein.

A “Disrupted Day” with respect to any Index constituent is any Index Business Day on which the Primary Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred and is continuing, and, in both cases, the occurrence of which is determined by the Security Calculation Agent to have a material effect on the VWAP Level.

With respect to an Index constituent, a “Market Disruption Event” means:

- (a) the occurrence or existence of a condition specified below:
 - (i) any suspension, absence or limitation of trading on the Primary Exchange for trading in the Index constituent, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
 - (ii) any suspension, absence or limitation of trading on the Related Exchange for trading in futures or options contracts related to the Index constituent, whether by reason of movements in price exceeding limits permitted by such Related Exchange or otherwise, or
 - (iii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Security Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the relevant Index constituent or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index constituent; or

- (b) the closure on any Index Business Day of the Primary Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Primary Exchange or such Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Primary Exchange or such Related Exchange on such Index Business Day and (ii) the submission deadline for orders to be entered into the Primary Exchange or such Related Exchange system for execution at the close of trading on such Index Business Day;

in each case determined by the Security Calculation Agent in its sole discretion; and

- (c) a determination by the Security Calculation Agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the Securities.

For purposes of the above definition:

- (a) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Primary Exchange or Related Exchange, and
- (b) for purposes of clause (a) above, limitations pursuant to the rules of any Primary Exchange or Related Exchange similar to NYSE Rule 80B or Nasdaq Rule 4120 (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B or Nasdaq Rule 4120 as determined by the Security Calculation Agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading.

“Scheduled Closing Time” means, with respect to the Primary Exchange or the Related Exchange, on any Index Business Day, the scheduled weekday closing time of the Primary Exchange or such Related Exchange on such Index Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Optional Tax Redemption”. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic position.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.” In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four (4) Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in Stated Principal Amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the “Medium-Term Notes, Series B” after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount in U.S. dollars for the principal of the Securities, as determined by the Security Calculation Agent in its sole discretion, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third (3rd) Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third (3rd) Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and is rated either:

- A-1 or higher by S&P or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation

If S&P discontinues publication of or otherwise fails to publish the Index, or S&P does not make the Index constituents, their unit weighting and/or the Index Divisor available to the VWAP Calculation Agent, and the Index Sponsor, S&P or another entity publishes a successor or substitute index that the Security Calculation Agent determines to be comparable to the discontinued Index and for which the Index constituents, their unit weighting, and/or the Index Divisor are available to the VWAP Calculation Agent (such index being referred to herein as a "successor index"), then the VWAP Level for such successor index will be determined by the VWAP Calculation Agent by reference to the sum of the products of the VWAPs of the components underlying such successor index on the Primary Exchanges and each such component's respective weighting within the successor index (which sum will be adjusted by any index divisor used by such successor index) on the dates and at the times as of which the VWAP Levels for such successor index are to be determined.

Upon any selection by the Security Calculation Agent of a successor Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If S&P discontinues publication of the Index or does not make the Index constituents, their unit weightings and/or Index Divisor available to the VWAP Calculation Agent prior to, and such discontinuation or unavailability is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or the Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or the Call Measurement Period, or on the Redemption Measurement Date, as applicable, or any other relevant date on which the VWAP Level is to be determined, then the Security Calculation Agent will determine the relevant VWAP Levels using the VWAP and published unit weighting of each Index constituent included in the Index or successor index, as applicable, immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions as described under "Alerian MLP Index — Index Rebalancings." In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the VWAP Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the VWAP Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at a VWAP level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the VWAP Levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Final VWAP Level, the Current Indicative Value, the Index Performance Ratio, the Coupon Amount, the Adjusted Coupon Amount, if any, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Adjusted Reference Distribution Amount, the Accrued Tracking Fee (including the Quarterly Tracking Fee, any Tracking Fee Shortfall and any Adjusted Tracking Fee Shortfall), the Adjusted Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, and the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, based on the relevant VWAP Levels calculated by the VWAP Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the VWAP Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at a VWAP Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities”.

Modified Business Day

As described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities”, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate principal amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed such amount at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Amounts That We May Issue”.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate stated principal amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

9. ETRACS Monthly Pay 2xLeveraged US Small Cap High Dividend ETN Series B, due November 10, 2048

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the “**Coupon Amount**”).

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date. The final Coupon Amount will be included in the

Cash Settlement Amount if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be December 21, 2018, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Exchange Business Day prior to the applicable Coupon Record Date.

The “**Coupon Valuation Date**” means the 30th day of each month, and the 28th day of February of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be November 30, 2018.

The “**Reference Distribution Amount**” means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the Initial Trade Date to, and including, the first Coupon Valuation Date; (ii) as of any other Coupon Valuation Date (other than the Calculation Date), an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, and including, such Coupon Valuation Date; and (iii) as of the Calculation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, but excluding, the Calculation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the distribution to holders of such Index Constituent Security by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “**Reference Holder**” is, as of any date of determination, a hypothetical holder of a number of units of each Index Constituent Security equal to two *times* (a) the product of (i) the published unit weighting of that Index Constituent Security as of that date and (ii) the Current Principal Amount, *divided* by (b) the Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is November 10, 2048, which will be the second Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*
- (b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “**Cash Settlement Amount**.”

If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation.

$$\begin{array}{ccccccc} \text{Current Principal} & & & & & & \\ \text{Amount} & & & & & & \\ \times & + & \text{Final Coupon} & - & \text{Accrued} & + & \text{Stub Reference} \\ \text{Index Factor} & & \text{Amount} & & \text{Fees} & & \text{Distribution} \\ & & & & & & \text{Amount} \end{array}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value”.

The Stated Principal Amount of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount.

The Current Principal Amount for the period from the Initial Settlement Date to November 30, 2018 (such period, the “**initial calendar month**”) will equal \$25.00 per Security (unless a Loss Rebalancing Event occurs during the initial calendar month). For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

$$\text{New Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable Monthly Valuation Date} - \text{Accrued Fees on the applicable Monthly Valuation Date}$$

In the event of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as described below under “— Loss Rebalancing Events”.

If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

For each calendar month, the “**Monthly Reset Date**” is the first Exchange Business Day of that month beginning on December 1, 2018 and ending on November 1, 2048, subject to adjustment as described under “— Market Disruption Event.” If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, as applicable, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

For each Monthly Reset Date, the “**Monthly Valuation Date**” is the last Exchange Business Day of the previous calendar month beginning on November 30, 2018 and ending on October 31, 2048, subject to adjustment as described under “— Market Disruption Event.” If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates or Monthly Valuation Dates will occur during the term of the Securities.

The “**Index Factor**” is: $1 + (2 \times \text{Index Performance Ratio})$.

The “**Index Performance Ratio**” may be calculated on multiple dates of determination during any applicable calendar month. The formula used to calculate the Index Performance Ratio on any date of determination depends on the number of Loss Rebalancing Events that have occurred in the applicable calendar month.

If no Loss Rebalancing Events have occurred in the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, the first Loss Rebalancing Valuation Date of the applicable calendar month or any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

where the “Monthly Initial Closing Level” for the initial calendar month is 122.3841, the Index Closing Level on November 8, 2018. For each subsequent calendar month, the Monthly Initial Closing Level will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month. For example, the Monthly Initial Closing Level for December 2018 will equal the Index Closing Level on November 30, 2018, subject to adjustment. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

If one or more Loss Rebalancing Events have occurred during the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, on each Loss Rebalancing Valuation Date after the first Loss Rebalancing Valuation Date in the applicable calendar month or on any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{the most recent Loss Rebalancing Closing Level}}{\text{the most recent Loss Rebalancing Closing Level}}$$

The “**Index Closing Level**” will equal the closing level of the Index on any date of determination, as reported on the NYSE and Bloomberg L.P.

The “**Index Valuation Level**”, as determined by the Security Calculation Agent will equal the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period, or the Index Closing Level on any Monthly Valuation Date, Loss Rebalancing Valuation Date or Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) $1/5 \text{ times}$ (b) (i) the sum of the Index Closing Levels on each Index Business Day from, and including, the first Index Business Day of the applicable Measurement Period, to, and including, the date of determination, *plus* (ii) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such Measurement Period, *times* the Index Closing Level on such date of determination.

“**Measurement Period**” means the Final Measurement Period, Call Measurement Period or Acceleration Valuation Period, as applicable.

The “**intraday indicative value**”, or “**Indicative Value**” is an amount per Security, as determined by the Security Calculation Agent as of any date of determination equal to $(\text{Current Principal Amount on the previous calendar day} \times \text{Index Factor, calculated using the intraday indicative value of the Index}) - \text{Accrued Fees} + \text{Coupon Amount}$ with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred $+ \text{Reference Distribution Amount}$, calculated as if such time and date of determination is a Coupon Valuation Date.

The “**Current Indicative Principal Amount**”, is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, using the Index Closing Level as of such date as the Index Valuation Level.

The “**Accrued Fees**” as of any date of determination means the sum of (1) the Accrued Tracking Fee as of such date and (2) the Accrued Financing Charges as of such date.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to 0.
- (b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Tracking Fee is an amount equal to the product of: (a) the Annual Tracking Fee as of the initial Monthly Valuation Date and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the Initial Trade Date to, and including, the initial Monthly Valuation Date (or Loss Rebalancing Date, as applicable), and the denominator of which is 365.
- (c) On any subsequent Monthly Valuation Date other than the Initial Monthly Valuation Date or on any Loss Rebalancing Date, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee as of such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and the denominator of which is 365.
- (d) On the last Exchange Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee calculated as of the last Exchange Business Day of the applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, (i) such last Exchange Business Day of such Measurement Period, or (ii) such Redemption Valuation Date (or, if the Optional Acceleration Date or Redemption Valuation Date occurs prior to the initial Monthly Valuation Date, the period from, and excluding, the Initial Trade Date), as applicable, and the denominator of which is 365.

The “**Annual Tracking Fee**” is, as of any date of determination, an amount per Security equal to the product of (i) the Annual Tracking Rate and (ii) the Current Indicative Principal Amount as of the immediately preceding Index Business Day.

The “**Annual Tracking Rate**” is 0.85%.

The Securities are subject to “**Accrued Financing Charges**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Charge for each Security is equal to \$0.
- (b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the Initial Trade Date, to and including the initial Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent) *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.
- (c) On any subsequent Monthly Valuation Date, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, whichever is more recent), to and including, the then current Monthly Valuation Date *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.
- (d) On the last Index Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, or, if the Redemption Valuation Date falls in the Initial Calendar Month, the Initial Trade Date, whichever is more recent), to, and including such last Index Business Day in such Measurement Period, or such Redemption Valuation Date, as applicable, *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

The “**Financing Level**” is, as of any date of determination, an amount that equals the Current Principal Amount.

The “**Financing Rate**” will equal the sum of (a) the “**Financing Spread**” of 0.80% and (b) the London interbank offered rate (British Banker’s Association) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Calculation Agent) (“**LIBOR**”), as of 11:00 a.m., London time, on the day that is two London business days prior to the immediately preceding Monthly Valuation Date.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London business day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements in the Index Closing Level and are intended to approximate the monthly financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities.

The “**Final Measurement Period**” means the five Index Business Days from, and including, the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

The “**Stub Reference Distribution Amount**” means, as of the last Index Business Day in a Measurement Period, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the “record date” with respect to any Index Constituent Security, for those cash distributions whose “ex-dividend date” occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date (or if such Redemption Valuation Date or the Optional Acceleration Date occurs prior to the first Coupon Valuation Date, the period from but excluding the Initial Trade Date) to, and including, such last Index Business Day of such Measurement Period, or such Redemption Valuation Date, as applicable; provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold four-fifths, three-fifths, two-fifths and one-fifth of the shares of each Index Constituent Security it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Measurement Period.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently Solactive.

The “**Calculation Date**” means November 2, 2048, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“**Index Business Day**” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“**Exchange Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

“**Related Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return on the Securities is linked to the performance of the price return version of the Solactive US Small Cap High Dividend Index (“SOLSMHD”). The Index is designed to measure the performance of 100 relatively small capitalization, dividend yielding Index Constituent Securities selected from a universe of qualifying U.S. listed equity securities. The Index Sponsor and Index Calculation Agent is Solactive AG (“**Solactive**” or the “**Index Sponsor**”).

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 4:00 p.m., New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be November 15, 2018, and the final Redemption Date will be November 3, 2048. In addition, if a call notice has been issued or if acceleration has been triggered, the last Redemption Valuation Date will be the fifth Index Business day prior to the Call Settlement Date or Acceleration Settlement Date, as applicable. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation.

$$\text{Closing Indicative Value} \quad - \quad \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value”.

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 4:00 p.m. (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 4:00 p.m. (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days’ prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify on or after November 15, 2019 through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Call Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the “**Call Settlement Amount.**”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$75,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$75,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

The “**Market Value**” of the Securities outstanding as of the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Intraday indicative value as of such Exchange Business Day × number of Securities outstanding as reported by SMHBIV <Index> on Bloomberg.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation.

$$\begin{array}{ccccccc} & \text{Current} & & & & & \text{Stub} \\ & \text{Principal} & & & & & \text{Reference} \\ & \text{Amount} & + & \text{Coupon} & - & \text{Accrued} & \text{Distribution} \\ & \times & & \text{Amount} & & \text{Fees} & \text{Amount} \\ \text{Index Factor} & & & & & & \end{array}$$

You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon a call.

In addition, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value”.

Optional Acceleration Upon Minimum Indicative Value

If, at any time, the intraday indicative value of the Securities on any Index Business Day equals \$2.00 or less (the “**Indicative Value Optional Acceleration Trigger**”) (each such day, an “**Optional Acceleration Date**”), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed \$2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the “**Acceleration Option**”).

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following an Indicative Value Optional Acceleration Trigger Event occurring, if UBS does not elect to exercise such Acceleration Option.

The “**Acceleration Amount**” will equal

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Acceleration Valuation Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Optional Acceleration Date if on the last Index Business Day in the Acceleration Valuation Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Acceleration Valuation Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Acceleration Valuation Period, if any.

If the Acceleration Amount is equal to or less than zero, the payment upon acceleration will be zero.

If the Indicative Value Optional Acceleration Trigger threshold has been breached and UBS elects to exercise its Acceleration Option, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The “**Acceleration Settlement Date**” will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period. The “**Acceleration Valuation Period**” will be the five Index Business Days from, but excluding, the Optional Acceleration Date, subject to adjustment as described under “— Market Disruption Event.” Subject to the prior verification by the Security Calculation Agent that the intraday indicative value of the Securities of \$2.00 or less was accurately calculated by the NYSE, UBS must provide notice (which may be provided via press release) to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date.

For a detailed description of how the minimum indicative value of the Securities is calculated see “Valuation of the Index and the Securities”.

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted accordingly.

The following graphic illustrates the formula to determine the Acceleration Amount, which has been simplified for ease of presentation.

$$\begin{array}{ccccccc} \text{Current Principal} & & & & & & \\ \text{Amount} & & & & & & \\ \times & & + & & - & & + \\ \text{Index Factor} & & \text{Coupon} & & \text{Accrued} & & \text{Stub Reference} \\ & & \text{Amount} & & \text{Fees} & & \text{Distribution} \\ & & & & & & \text{Amount} \end{array}$$

You may lose all or a substantial portion of your investment upon acceleration. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon acceleration.

In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on any Index Business Day (other than an Excluded Day, as defined herein) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss Rebalancing Event occurs, the Current Principal Amount of the Securities will be reset as described below, which will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on such Index Business Day.

Upon the occurrence of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as follows:

New Current Principal Amount = previous Current Principal Amount × Index Factor on the applicable Loss Rebalancing Valuation Date — Accrued Fees on the applicable Loss Rebalancing Valuation Date

In the event of a Loss Rebalancing Event, the Financing Rate will not be adjusted.

On the next Monthly Valuation Date following one or more Loss Rebalancing Events, the Monthly Initial Closing Level will be replaced with the most recent Loss Rebalancing Closing Level in the calculation of the Index Performance Ratio.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar month. This means both that (i) the Current Principal Amount may be reset more frequently than monthly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

On any Loss Rebalancing Valuation Date, the Accrued Financing Charges for each Security will equal the product of (i) the Financing Level on the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, *times* (ii) the Financing Rate *times* (iii) the number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, to, and including, the then current Loss Rebalancing Valuation Date *divided by* (iv) 360.

An “**Excluded Day**” means (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) any Loss Rebalancing Valuation Date (iv) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (v) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (vi) the Optional Acceleration Date or any day after the Optional Acceleration Date.

“**Loss Rebalancing Closing Level**” means the Index Closing Level on the Loss Rebalancing Valuation Date.

“**Loss Rebalancing Reset Date**” means the first Index Business Day immediately following a Loss Rebalancing Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”;
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Principal Amount, intraday indicative value, Market Disruption Events, Business Days, Index Business Days, Exchange Business Days, the Index Factor, the Index Performance Ratio, the Index Valuation Level, the Financing Level, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Acceleration Amount that we will pay you upon acceleration, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred and whether any day is a Business Day, Index Business Day or an Exchange Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Acceleration Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Acceleration Amount, the Financing Level, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the “**Deferred Averaging Date**”) with respect to the Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date or any Monthly Valuation Date or Loss Rebalancing Valuation Date, the Index Closing Level for such Redemption Valuation Date, Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on October 4.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or such Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the third Index Business Day following the date originally scheduled to be the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event. If any Monthly Valuation Date or Loss Rebalancing Valuation Date is postponed as described above, the succeeding Monthly Reset Date or Loss Rebalancing Reset Date will occur on the next Index Business Day following the postponed Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable.

An “**Averaging Date**” means each of the Index Business Days during a Measurement Period, subject to adjustment as described herein.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities for trading in the Index Constituent Security, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts

hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Principal Amount, Index Factor, intraday indicative value, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after November 8, 2018 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after November 8, 2018 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Valuation Level, the Index Performance Ratio, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Acceleration Amount that we will pay you in the event of an optional acceleration upon minimum indicative value, if applicable, the Loss Rebalancing Closing Level, if any, the Monthly Initial Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or acceleration, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the accompanying prospectus.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

10. ETRACS 2xMonthly Pay Leveraged Preferred Stock Index ETN due September 25, 2048

Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under “Medium-Term Notes, Series B” above. The terms described here supplement those described under “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the “Coupon Amount”).

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date. The final Coupon Amount will be included in the Cash Settlement Amount if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be October 22, 2018, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Exchange Business Day prior to the applicable Coupon Record Date.

The “**Coupon Valuation Date**” means the 30th day of each month, and the 28th day of February, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date was October 1, 2018.

The “**Reference Distribution Amount**” means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the Initial Trade Date to, and including, the first Coupon Valuation Date; (ii) as of any other Coupon Valuation Date (other than the Calculation Date), an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, and including, such Coupon Valuation Date; and (iii) as of the Calculation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, but excluding, the Calculation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the distribution to holders of such Index Constituent Security by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “**Reference Holder**” is, as of any date of determination, a hypothetical holder of a number of units of each Index Constituent Security equal to two *times* (a) the product of (i) the published unit weighting of that Index Constituent Security as of that date and (ii) the Current Principal Amount, *divided* by (b) the Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is September 25, 2048, which will be the second Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*
- (b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “**Cash Settlement Amount**.”

If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation.

$$\begin{array}{ccccccc}
 \text{Current} & & & & & & \text{Stub} \\
 \text{Principal} & & & & & & \text{Reference} \\
 \text{Amount} & + & \text{Final} & - & \text{Accrued Fees} & + & \text{Distributio} \\
 \times & & \text{Coupon} & & & & \text{n Amount} \\
 \text{Index Factor} & & \text{Amount} & & & & \\
 \end{array}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value” below.

The Stated Principal Amount of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount.

The Current Principal Amount for the period from the Initial Settlement Date to September 30, 2018 (such period, the “**initial calendar month**”) is equal to \$25.00 per Security (unless a Loss Rebalancing Event occurs during the initial calendar month). For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

$$\text{New Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable Monthly Valuation Date} - \text{Accrued Fees on the applicable Monthly Valuation Date}$$

In the event of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as described below under “— Loss Rebalancing Events”.

If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

For each calendar month, the “**Monthly Reset Date**” is the first Exchange Business Day of that month beginning on October 1, 2018 and ending on September 1, 2048, subject to adjustment as described under “— Market Disruption Event.” If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, as applicable, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

For each Monthly Reset Date, the “**Monthly Valuation Date**” is the last Exchange Business Day of the previous calendar month beginning on September 30, 2018 and ending on August 31, 2048, subject to adjustment as described under “— Market Disruption Event.” If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates or Monthly Valuation Dates will occur during the term of the Securities.

The “**Index Factor**” is: $1 + (2 \times \text{Index Performance Ratio})$.

The “**Index Performance Ratio**” may be calculated on multiple dates of determination during any applicable calendar month. The formula used to calculate the Index Performance Ratio on any date of determination depends on the number of Loss Rebalancing Events that have occurred in the applicable calendar month.

If no Loss Rebalancing Events have occurred in the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, the first Loss Rebalancing Valuation Date of the applicable calendar month or any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

where the “Monthly Initial Closing Level” for the initial calendar month is 97.6983, the Index Closing Level on September 25, 2018. For each subsequent calendar month, the Monthly Initial Closing Level will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month. For example, the Monthly Initial Closing Level for October 2018 is equal to the Index Closing Level on September 30, 2018, subject to adjustment. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

If one or more Loss Rebalancing Events have occurred during the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, on each Loss Rebalancing Valuation Date after the first Loss Rebalancing Valuation Date in the applicable calendar month or on any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{the most recent Loss Rebalancing Closing Level}}{\text{the most recent Loss Rebalancing Closing Level}}$$

The “**Index Closing Level**” will equal the closing level of the Index on any date of determination, as reported on the NYSE and Bloomberg L.P.

The “**Index Valuation Level**”, as determined by the Security Calculation Agent will equal the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period, or the Index Closing Level on any Monthly Valuation Date, Loss Rebalancing Valuation Date or Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) *1/5 times* (b) (i) the sum of the Index Closing Levels on each Index Business Day from, and including, the first Index Business Day of the applicable Measurement Period, to, and including, the date of determination, *plus* (ii) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such Measurement Period, *times* the Index Closing Level on such date of determination.

“**Measurement Period**” means the Final Measurement Period, Call Measurement Period or Acceleration Valuation Period, as applicable.

The “**intraday indicative value**”, or “**Indicative Value**” is an amount per Security, as determined by the Security Calculation Agent as of any date of determination equal to (Current Principal Amount on the previous calendar day \times Index Factor, calculated using the intraday indicative value of the Index) — Accrued Fees + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

The “**Current Indicative Principal Amount**”, is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, using the Index Closing Level as of such date as the Index Valuation Level.

The “**Accrued Fees**” as of any date of determination means the sum of (1) the Accrued Tracking Fee as of such date and (2) the Accrued Financing Charges as of such date.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to 0.
- (b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Tracking Fee is an amount equal to the product of: (a) the Annual Tracking Fee as of the initial Monthly Valuation Date and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the Initial Trade Date to, and including, the initial Monthly Valuation Date (or Loss Rebalancing Date, as applicable), and the denominator of which is 365.
- (c) On any subsequent Monthly Valuation Date other than the Initial Monthly Valuation Date or on any Loss Rebalancing Date, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee as of such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and the denominator of which is 365.
- (d) On the last Exchange Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee calculated as of the last Exchange Business Day of the applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, (i) such last Exchange Business Day of such Measurement Period, or (ii) such Redemption Valuation Date (or, if the Optional Acceleration Date or Redemption Valuation Date occurs prior to the initial Monthly Valuation Date, the period from, and excluding, the Initial Trade Date), as applicable, and the denominator of which is 365.

The “**Annual Tracking Fee**” is, as of any date of determination, an amount per Security equal to the product of (i) the Annual Tracking Rate and (ii) the Current Indicative Principal Amount as of the immediately preceding Index Business Day.

The “**Annual Tracking Rate**” is 0.85%. The Securities are subject to “**Accrued Financing Charges**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Charge for each Security is equal to \$0.
- (b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the Initial Trade Date, to and including the initial Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent) *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.
- (c) On any subsequent Monthly Valuation Date, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, whichever is more recent), to and including, the then current Monthly Valuation Date *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.
- (d) On the last Index Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, or, if the Redemption Valuation Date falls in the Initial Calendar Month, the Initial Trade Date, whichever is more recent), to, and including such last Index Business Day in such Measurement Period, or such Redemption Valuation Date, as applicable, *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

The “**Financing Level**” is, as of any date of determination, an amount that equals the Current Principal Amount.

The “**Financing Rate**” will equal the sum of (a) the “**Financing Spread**” of 0.80% and (b) the London interbank offered rate (British Banker’s Association) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Calculation Agent) (“**LIBOR**”), as of 11:00 a.m., London time, on the day that is two London business days prior to the immediately preceding Monthly Valuation Date.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London business day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements in the Index Closing Level and are intended to approximate the monthly financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities.

The “**Final Measurement Period**” means the five Index Business Days from, and including, the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

The “**Stub Reference Distribution Amount**” means, as of the last Index Business Day in a Measurement Period, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the “record date” with respect to any Index Constituent Security, for those cash distributions whose “ex-dividend date” occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date (or if such Redemption Valuation Date or the Optional Acceleration Date occurs prior to the first Coupon Valuation Date, the period from but excluding the Initial Trade Date) to, and including, such last Index Business Day of such Measurement Period, or such Redemption Valuation Date, as applicable; provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold four-fifths, three-fifths, two-fifths and one-fifth of the shares of each Index Constituent Security it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Measurement Period.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently Solactive.

The “**Calculation Date**” means September, 17, 2048, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“**Index Business Day**” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“**Exchange Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

“**Related Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return on the Securities is linked to the performance of the Solactive Preferred Stock ETF Index (“**SOLPRF**”). The Index is intended to track the price movements of an equally weighted portfolio of two ETFs that hold preferred securities of various issuers. We refer to the ETFs included in the Index as the “**Index Constituent Securities**.” The Index Sponsor is Solactive AG (“**Solactive**” or the “**Index Sponsor**”).

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 4:00 p.m., New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date was October 2, 2018, and the final Redemption Date will be September 18, 2048.

In addition, if a call notice has been issued or if acceleration has been triggered, the last Redemption Valuation Date will be the fifth Index Business day prior to the Call Settlement Date or Acceleration Settlement Date, as applicable. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation.

$$\text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value” below.

We discuss these matters in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Redemption and Payment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**,” to UBS via email no later than 4:00 p.m. (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 4:00 p.m. (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days’ prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify on or after September 30, 2019 through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Call Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$50,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”;

- (b) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$50,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

The “**Market Value**” of the Securities outstanding as of the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Intraday indicative value as of such Exchange Business Day × number of Securities outstanding as reported by PFFLSO <Index> on Bloomberg.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation.

$$\begin{array}{ccccccc} \text{Current} & & & & & & \text{Stub} \\ \text{Principal} & & & & & & \text{Reference} \\ \text{Amount} & + & \text{Coupon} & - & \text{Accrued Fees} & + & \text{Distribution} \\ & & \text{Amount} & & & & \text{Amount} \\ & \times & & & & & \\ & & & & & & \end{array}$$

You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon a call.

In addition, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value” below.

Optional Acceleration Upon Minimum Indicative Value

If, at any time, the intraday indicative value of the Securities on any Index Business Day equals \$2.00 or less (the “**Indicative Value Optional Acceleration Trigger**”) (each such day, an “**Optional Acceleration Date**”), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed \$2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the “**Acceleration Option**”).

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following an Indicative Value Optional Acceleration Trigger Event occurring, if UBS does not elect to exercise such Acceleration Option.

The “**Acceleration Amount**” will equal

- (a) the product of
- (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Acceleration Valuation Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Optional Acceleration Date if on the last Index Business Day in the Acceleration Valuation Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Acceleration Valuation Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Acceleration Valuation Period, if any.

If the Acceleration Amount is equal to or less than zero, the payment upon acceleration will be zero.

If the Indicative Value Optional Acceleration Trigger threshold has been breached and UBS elects to exercise its Acceleration Option, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The “**Acceleration Settlement Date**” will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period. The “**Acceleration Valuation Period**” will be the five Index Business Days from, but excluding, the Optional Acceleration Date, subject to adjustment as described under “— Market Disruption Event.” Subject to the prior verification by the Security Calculation Agent that the intraday indicative value of the Securities of \$2.00 or less was accurately calculated by the NYSE, UBS must provide notice (which may be provided via press release) to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. For a detailed description of how the minimum indicative value of the Securities is calculated see “Valuation of the Index and the Securities” below.

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted accordingly.

The following graphic illustrates the formula to determine the Acceleration Amount, which has been simplified for ease of presentation.

$$\frac{\text{Current Principal Amount}}{\text{Index Factor}} + \text{Coupon Amount} - \text{Accrued Fees} + \text{Stub Reference Distribution Amount}$$

You may lose all or a substantial portion of your investment upon acceleration. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon acceleration.

In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on any Index Business Day (other than an Excluded Day, as defined herein) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss Rebalancing Event occurs, the Current Principal Amount of the Securities will be reset as described below, which will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on such Index Business Day.

Upon the occurrence of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as follows:

New Current Principal Amount = *previous Current Principal Amount* × Index Factor on the applicable Loss Rebalancing Valuation Date — Accrued Fees on the applicable Loss Rebalancing Valuation Date

In the event of a Loss Rebalancing Event, the Financing Rate will not be adjusted.

On the next Monthly Valuation Date following one or more Loss Rebalancing Events, the Monthly Initial Closing Level will be replaced with the most recent Loss Rebalancing Closing Level in the calculation of the Index Performance Ratio.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar month. This means both that (i) the Current Principal Amount may be reset more frequently than monthly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

On any Loss Rebalancing Valuation Date, the Accrued Financing Charges for each Security will equal the product of (i) the Financing Level on the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, *times* (ii) the Financing Rate *times* (iii) the number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, to, and including, the then current Loss Rebalancing Valuation Date *divided by* (iv) 360.

An “**Excluded Day**” means (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) any Loss Rebalancing Valuation Date (iv) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (v) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (vi) the Optional Acceleration Date or any day after the Optional Acceleration Date.

“**Loss Rebalancing Closing Level**” means the Index Closing Level on the Loss Rebalancing Valuation Date.

“**Loss Rebalancing Reset Date**” means the first Index Business Day immediately following a Loss Rebalancing Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”;
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Principal Amount, intraday indicative value, Market Disruption Events, Business Days, Index Business Days, Exchange Business Days, the Index Factor, the Index Performance Ratio, the Index Valuation Level, the Financing Level, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Acceleration Amount that we will pay you upon acceleration, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred and whether any day is a Business Day, Index Business Day or an Exchange Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Acceleration Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Acceleration Amount, the Financing Level, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the “**Deferred Averaging Date**”) with respect to the Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on October 3, October 4, October 5, October 6 and October 7, and there is a Market Disruption Event with respect to the Index on October 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on October 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on October 4, October 4, October 5, October 6 and October 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date or any Monthly Valuation Date or Loss Rebalancing Valuation Date, the Index Closing Level for such Redemption Valuation Date, Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on October 3 and there is a Market Disruption Event with respect to the Index on October 3, then the Index Closing Level on October 4 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on October 4.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or such Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the third Index Business Day following the date originally scheduled to be the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event. If any Monthly Valuation Date or Loss Rebalancing Valuation Date is postponed as described above, the succeeding Monthly Reset Date or Loss Rebalancing Reset Date will occur on the next Index Business Day following the postponed Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable.

An “**Averaging Date**” means each of the Index Business Days during a Measurement Period, subject to adjustment as described herein.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities for trading in the Index Constituent Security, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging” of the applicable prospectus supplement.

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in “Medium-Term Notes, Series B” above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above, under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described herein as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Principal Amount, Index Factor, intraday indicative value, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 25, 2018 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after September 25, 2018 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Valuation Level, the Index Performance Ratio, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Acceleration Amount that we will pay you in the event of an optional acceleration upon minimum indicative value, if applicable, the Loss Rebalancing Closing Level, if any, the Monthly Initial Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or acceleration, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in “Medium-Term Notes, Series B” above.

Modified Business Day

As described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities”, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover of the prospectus supplement at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participant.

11. ETRACS NYSE® Pickens CoreMidstream™ Index ETN due August 20, 2048

Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described under “Medium-Term Notes, Series B” above. The terms described here supplement those described under “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance of the Index calculated in accordance with the formula set forth below and will be reduced by the Accrued Tracking Fee. We refer to this cash payment as the “**Cash Settlement Amount.**” If the amount so calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.” If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under “— UBS’s Call Right.” If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the “**Coupon Amount**”).

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date.

The final Coupon Amount will be included in the Cash Settlement Amount.

The “**Coupon Payment Date**” means the 15th Index Business Day following each Coupon Valuation Date, provided that the final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be October 22, 2018.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date.

The “**Coupon Ex-Date,**” with respect to a Coupon Amount, means the first Trading Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Trading Day prior to the applicable Coupon Record Date.

The “**Coupon Valuation Date**” means the 30th of March, June, September and December of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment as described herein. The first Coupon Valuation Date will be October 1, 2018.

The “**Reference Distribution Amount**” means:

- (a) as of the first Coupon Valuation Date, an amount equal to the gross cash dividends or distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash dividends or distributions whose “ex-dividend date” occurs during the period from and excluding the Initial Trade Date to and including the first Coupon Valuation Date; and

- (b) as of any other Coupon Valuation Date, an amount equal to the gross cash dividends or distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent for those cash dividends or distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date to and including such Coupon Valuation Date.

Notwithstanding the foregoing, with respect to cash dividends or distributions for an Index constituent which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index constituent fails to pay the dividend or distribution to holders of such Index constituent by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “**Reference Holder**” is, as of any date of determination, a hypothetical holder of a number of units or shares, as applicable, of each Index constituent equal to (i) the published unit weighting of that Index constituent as of that date, divided by (ii) the product of (a) the Index Divisor as of that date, and (b) the Index Closing Level on the prior calendar day *divided by* the Current Principal Amount on the prior calendar day.

“**record date**” means, with respect to a distribution on an Index constituent, the date on which a holder of the Index constituent must be registered as a unitholder or shareholder of such Index constituent in order to be entitled to receive such distribution.

“**ex-dividend date**” means, with respect to a distribution on an Index constituent, the first Business Day on which transactions in such Index constituent trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “Maturity Date” is August 20, 2048, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to:

- (a) the product of
- (i) the Current Principal Amount as of the calendar day immediately preceding the Calculation Date and
 - (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*
- (b) the final Coupon Amount if on such last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Tracking Fee as of the last Index Business Day in the Final Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

You may lose some or all of your investment at maturity. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the increase in the level of the Index is insufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts and any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the final Index level is less than the Initial Index Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment at maturity.

The “**Current Principal Amount**” for each Security will equal:

- (a) on the Initial Trade Date, \$25.00.
- (b) on each subsequent calendar day, to but excluding the first day of an applicable Measurement Period:
- (Current Principal Amount on the previous calendar day × Index Factor) — Accrued Tracking Fee
- (c) on the last day of an applicable Measurement Period:
- (Current Principal Amount on the calendar day immediately preceding the first day of the applicable Measurement Period × Index Factor) — Accrued Tracking Fee

To the extent the Current Principal Amount must be calculated during a Measurement Period, the Current Principal Amount on any day during the Measurement Period shall be calculated as if such day is the last day of the applicable Measurement Period and in such circumstances, clause (2) of the “Index Factor” definition (below) shall be determined by calculating (i) (A) (the Index Closing Level on each prior Trading Day, if any, of the applicable Measurement Period) + (the Index Closing Level on such determination date within the applicable Measurement Period × the number of Trading Days from and including such date of determination to, and including, the last Trading Day within the applicable Measurement Period), *divided by* (B) the number of scheduled Trading Days in the applicable Measurement Period; and (ii) dividing the result obtained under (i) above by the Index Closing Level on the Index Business Day immediately preceding the first day of the applicable Measurement Period

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

The “**Index Factor**” will equal:

- (1) on any Index Business Day prior to an applicable Measurement Period:

Index Closing Level on such Index Business Day divided by the Index Closing Level on the immediately preceding Index Business Day.
- (2) on the last Index Business Day in a Measurement Period:
 - (i) the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period divided by (ii) the Index Closing Level on the Index Business Day immediately preceding the first day of the applicable Measurement Period.

The Index Factor will equal one (1) on any calendar day that is not an Index Business Day.

The “**Current Indicative Value**” as determined by the Security Calculation Agent, means, as of any time and date of determination, an amount per Security equal to:

(Current Principal Amount on the previous calendar day \times Index Factor, calculated using the intraday indicative value of the Index) — Accrued Tracking Fee + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

The actual trading price of the Securities in the secondary market may vary significantly from the indicative value.

On any day within a Measurement Period, the Current Indicative Value of the Securities shall be calculated as if such day is the last day of the applicable Measurement Period and in such circumstances, clause (2) of the “Index Factor” definition shall be determined by calculating (i) (A) (the Index Closing Level on each prior Trading Day, if any, of the applicable Measurement Period) + (the Index Closing Level on such determination date within the applicable Measurement Period \times the number of Trading Days from and including such date of determination, to and including, the last Trading Day within the applicable Measurement Period), (B) the number of scheduled Trading Days in the applicable Measurement Period, and (ii) dividing the results obtained under (i) above by the Index Closing level on the Index Business Day immediately preceding the first day of the applicable Measurement Period.

The “**Index Closing Level**” is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The “Index Closing Level” on the Initial Trade Date (i.e. the Initial Index Level) was 1313.27.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently ICE Data Indices, LLC, which is also the Index Sponsor.

The “**Index Divisor**,” as of any date of determination, is the divisor used by the Index Calculation Agent to calculate the level of the Index.

The Securities are subject to an “**Accrued Tracking Fee**” per Security equal to 0.85% per annum, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day prior to the beginning of a Measurement Period, the Accrued Tracking Fee is equal to $(0.85\% / 365) \times$ Closing Indicative Value on the previous calendar day.
- (c) On the last day of an applicable Measurement Period, the Accrued Tracking Fee is equal to $(0.85\% \times$ a fraction, the numerator of which equals the number of calendar days from and including the first day of the applicable Measurement Period to but excluding the last day of the applicable Measurement Period and the denominator of which equals 365) \times Closing Indicative Value as of the calendar day immediately preceding the first day of the applicable Measurement Period.

The Accrued Tracking Fee takes into account the performance of the Index, as reflected in the Closing Indicative Value.

The “**Final Measurement Period**” means the five (5) Index Business Days from and including the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

“**Measurement Period**” means the Final Measurement Period or the Call Measurement Period, as applicable.

The “**Stub Reference Distribution Amount**” means, as of the last Index Business Day in the Final Measurement Period or Call Measurement Period, as applicable, an amount equal to the gross cash dividends or distributions that a Reference Holder would have been entitled to receive in respect of the Index constituents held by such Reference Holder on the “record date” with respect to any Index constituent, for those cash dividends or distributions whose “ex-dividend date” occurs during the period from and excluding the immediately preceding Coupon Valuation Date, to and including the last Index Business Day in the Final Measurement Period or Call Measurement Period as applicable, provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold 4/5ths, 3/5ths, 2/5ths and 1/5th of the shares/units of each Index constituent it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Final Measurement Period or Call Measurement Period.

The “**Calculation Date**” means August 12, 2048, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“**Index Business Day**” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Trading Day**” means any day on which the primary exchange for trading in the Securities is open for trading in the Securities.

“**Primary Exchange**” means, with respect to each Index constituent or each constituent underlying a successor index, the primary exchange or market of trading such Index constituent or such constituent underlying a successor index.

“**Related Exchange**” means, with respect to each Index constituent or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index constituent or such constituent underlying a successor index.

Underlying Index

The NYSE® Pickens Core Midstream™ Index measures the performance of the common stock of corporations and units of master limited partnerships (“**MLPs**”) which represent U.S. midstream energy fundamentals, agnostic of entity structure. The Index is calculated by ICE Data Indices, LLC (the “**Index Sponsor**”) using a modified free-float market capitalization weighted methodology. We refer to the corporations, MLPs and any other entities included in the Index as the “**Index constituents**.” The Index constituents earn the majority of their operating income from midstream energy activities (gathering and processing, liquefaction, pipeline transportation, rail terminating and storage of energy commodities).

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 4:00 p.m., New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time to time to reduce or waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be August 27, 2018 and the final Redemption Date will be August 13, 2048. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index constituents, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value for the applicable Security as of such Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date — Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount.**”

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

You may lose some or all of your investment upon early redemption. The combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount will reduce your final Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Accrued Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the Initial Index Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice,**” to UBS via email no later than 4:00 p.m. (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation,**” to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 4:00 p.m. (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days’ prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify on or after August 25, 2019 through and including the Maturity Date (the “**Call Settlement Date**”). Upon early redemption in the event we exercise this right, you will receive a cash payment equal to:

- (a) the product of
 - (i) the Current Principal Amount as of the calendar day immediately preceding the Call Measurement Period and
 - (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Tracking Fee as of the last Index Business Day in the Call Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the “**Call Settlement Amount.**”

If the amount calculated above is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index constituents, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of business on the Trading Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$100,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”; or
- (b) if the Market Value of Securities outstanding as at the close of business on the Trading Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$100,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

The “**Market Value**” of the Securities outstanding as of the close of business on the Trading Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Current Indicative Value as of such Trading Day × number of Securities outstanding as reported by PYPESO <Index> on Bloomberg.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

You may lose some or all of your investment upon a call. The negative effect of the Accrued Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Accrued Tracking Fee (less any Coupon Amounts and any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the final Index level is less than the Initial Index Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS’s exercise of its call right.

Some of the defined terms used in this section have different applications when used in determining the Redemption Amount. For the definition of the terms relevant to early redemption, please refer to “— Early Redemption at the Option of the Holders” above.

Security Calculation Agent

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will determine, among other things, the Current Principal Amount, Current Indicative Value, the Index Factor, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Final Measurement Period, the Coupon Payment Dates, the Coupon Valuation Dates, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Valuation Date, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Redemption Date, the Call Settlement Date, the Call Valuation Date, the Call Measurement Period and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day. The Security Calculation Agent will also be responsible for determining whether a Market Disruption Event has occurred, whether the Index has been discontinued and whether there has been a material change in the Index. All determinations made by the Security Calculation Agent will be at the sole discretion of the Security Calculation Agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 p.m. (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Disrupted Day (as defined below) exists with respect to an Index constituent on an Averaging Date (as defined below) or on a Redemption Valuation Date, the share/unit price and published share/unit weighting with respect to such Index constituent (and only with respect to such Index constituent) for such Averaging Date or Redemption Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day that is not a Disrupted Day (the “**Deferred Averaging Date**”) with respect to such Index constituent irrespective of whether pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the share/unit price of a particular Index constituent being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on the Index Business Days during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the share/ unit price and the published share/unit weighting with respect to such Index constituent for such Deferred Averaging Date to the calculation of the Index Closing Level (i) on the date(s) of the original disruption with respect to such Index constituent and (ii) such Averaging Date. For example, if the Final Measurement Period or Call Measurement Period, as applicable, for purposes of calculating the Cash Settlement Amount or Call Settlement Amount, respectively, is based on the arithmetic mean of the Index Closing Levels on June 6, 2019, June 7, 2019, June 8, 2019, June 9, 2019 and June 10, 2019 and there is a Market Disruption Event for an Index constituent on June 6, 2019, but no other Market Disruption Event during the Final Measurement Period or Call Measurement Period, as applicable, then the share/ unit price for such disrupted Index constituent on June 7, 2019 will be used more than once to calculate the Cash Settlement Amount or Call Settlement Amount, respectively, and such Cash Settlement Amount or Call Settlement Amount, as applicable, will be determined based on the arithmetic mean of the share/ unit price for such disrupted Index constituent on June 7, 2019, June 7, 2019, June 8, 2019, June 9, 2019 and June 10, 2019.

If the Redemption Valuation Date for purposes of calculating a Redemption Amount is based on the Index Closing Level on June 6, 2019 and there is a Market Disruption Event for an Index constituent on June 6, 2019, then the share/unit price for such disrupted Index constituent on June 7, 2019 will be used to calculate the Redemption Amount.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or the Redemption Valuation Date, as applicable, with respect to any Index constituent occurring more than three (3) Index Business Days following the day originally scheduled to be such final Averaging Date or Redemption Valuation Date. If the third Index Business Day following the date originally scheduled to be the final Averaging Date, or the Redemption Valuation Date, as applicable, is not an Index Business Day or is a Disrupted Day with respect to such Index constituent, the Security Calculation Agent or one of its affiliates will determine the share/unit price and share weighting with respect to any Index constituent required to be determined for the purpose of calculating the applicable Index Closing Level based on its good faith estimate of the share/unit price and share/unit weighting of each such Index constituent that would have prevailed on the Primary Exchange on such third Index Business Day but for such suspension or limitation.

An “**Averaging Date**” means each of the Index Business Days during the Final Measurement Period or Call Measurement Period, as applicable, subject to adjustment as described herein.

A “**Disrupted Day**” with respect to any Index constituent is any Index Business Day on which the Primary Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred and is continuing, and, in both cases, the occurrence of which is determined by the Security Calculation Agent to have a material effect on the share/unit price of such Index constituent.

With respect to an Index constituent, a “**Market Disruption Event**” means:

- (a) the occurrence or existence of a condition specified below:
 - (i) any suspension, absence or limitation of trading on the Primary Exchange for trading in the Index constituent, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise,
 - (ii) any suspension, absence or limitation of trading on the Related Exchange for trading in futures or options contracts related to the Index constituent, whether by reason of movements in price exceeding limits permitted by such Related Exchange or otherwise, or
 - (iii) any event (other than an event described in (b) below) that disrupts or impairs (as determined by the Security Calculation Agent) the ability of market participants in general (A) to effect transactions in, or obtain market values for, the relevant Index constituent or (B) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Index constituent; or

- (b) the closure on any Index Business Day of the Primary Exchange or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing time is announced by the Primary Exchange or such Related Exchange at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on the Primary Exchange or such Related Exchange on such Index Business Day and (ii) the submission deadline for orders to be entered into the Primary Exchange or such Related Exchange system for execution at the close of trading on such Index Business Day;

in each case determined by the Security Calculation Agent in its sole discretion; and

- (c) a determination by the Security Calculation Agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the Securities.

For purposes of the above definition:

- (i) a limitation on the hours or number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Primary Exchange or Related Exchange, and
- (ii) for purposes of clause (i) above, limitations pursuant to the rules of any Primary Exchange or Related Exchange similar to NYSE Rule 80B or Nasdaq Rule 4120 (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B or Nasdaq Rule 4120 as determined by the Security Calculation Agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading.

“**Scheduled Closing Time**” means, with respect to the Primary Exchange or the Related Exchange, on any Index Business Day, the scheduled weekday closing time of the Primary Exchange or such Related Exchange on such Index Business Day, without regard to after hours or any other trading outside of the regular trading session hours.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described in “Medium-Term Notes, Series B” under “Description of Debt Securities We May Offer — Optional Tax Redemption. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.” In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above, under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, as determined by the Security Calculation Agent, in U.S. dollars for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two (2) Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two (2) Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index; Alteration of Method of Calculation

If (i) the Index Sponsor discontinues publication of or otherwise fails to publish the Index, (ii) our license agreement with the Index Sponsor terminates, or (iii) the Index Sponsor does not make the Index constituents, their share/unit weighting and/or the Index Divisor available to the Security Calculation Agent, and, in each case, the Index Sponsor or another entity publishes a successor or substitute index licensed to UBS that the Security Calculation Agent determines to be comparable to the discontinued Index and for which the Index constituents, their share/unit weighting, and/or the Index Divisor are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), then the Security Calculation Agent will determine the Coupon Amounts, Current Principal Amounts, Index Factor, Current Indicative Value, Accrued Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, if our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index constituents, their share/unit weightings and/or Index Divisor available to the Security Calculation Agent prior to, and such discontinuation or unavailability is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during the Final Measurement Period or Call Measurement Period, or on the Redemption Valuation Date, as applicable, or any other relevant date on which the Index level is to be determined, then the Security Calculation Agent will determine the relevant Index level using the Index level and published share/unit weighting of each Index constituent included in the Index or successor index, as applicable, on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described herein as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amounts, Index Factor, Current Indicative Value, Accrued Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of shares/units in the Index constituents included in the Index or options, futures, swaps or other derivatives on the Index or the shares/units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after August 20, 2018 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of shares/units in the Index constituents included in the Index or options, futures, swaps or other derivatives on the Index or the shares/units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after August 20, 2018 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of shares/units in the Index constituents included in the Index or options, futures, swaps or other derivatives on the Index or the shares/units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index levels for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Current Principal Amount, the Current Indicative Value, the Index Factor, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon early redemption, if applicable, and the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, based on the relevant Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above.

Modified Business Day

As described in "Medium-Term Notes, Series B" under "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities", any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed such amount any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

12. ETRACS Monthly Pay 2xLeveraged US High Dividend Low Volatility ETN Series B due October 21, 2049

Specific Terms of the Securities

In this section, references to “holders” or “you” mean those who own the Securities registered in their own names, on the books that we or the trustee maintain for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the “**Coupon Amount**”).

If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Amount on the related Coupon Payment Date. The final Coupon Amount will be included in the Cash Settlement Amount if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The final Coupon Payment Date will be the Maturity Date, subject to adjustment as described herein. The first Coupon Payment Date will be November 20, 2019, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Exchange Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Exchange Business Day prior to the applicable Coupon Record Date.

The “**Coupon Valuation Date**” means the 30th day of each month, and the 28th day of February of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be October 30, 2019.

The “**Reference Distribution Amount**” means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the Initial Trade Date to, and including, the first Coupon Valuation Date; (ii) as of any other Coupon Valuation Date (other than the Calculation Date), an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, and including, such Coupon Valuation Date; and (iii) as of the Calculation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, but excluding, the Calculation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the distribution to holders of such Index Constituent Security by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

The “**Reference Holder**” is, as of any date of determination, a hypothetical holder of a number of units of each Index Constituent Security equal to two *times* (a) the product of (i) the published unit weighting of that Index Constituent Security as of that date and (ii) the Current Principal Amount, *divided* by (b) the Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is October 21, 2049, which will be the second Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*
- (b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the “**Cash Settlement Amount**.”

If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation.

$$\begin{array}{ccccccc}
 \text{Current} & & & & & & \\
 \text{Principal} & & & & & & \\
 \text{Amount} & & & & & & \\
 \times & + & \text{Final} & - & \text{Accrued Fees} & + & \text{Stub} \\
 \text{Index} & & \text{Coupon} & & & & \text{Reference} \\
 \text{Factor} & & \text{Amount} & & & & \text{Distributio} \\
 & & & & & & \text{n Amount}
 \end{array}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “— UBS’s Call Right” and “— Optional Acceleration Upon Minimum Indicative Value” below.

The Stated Principal Amount of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount.

The Current Principal Amount for the period from the Initial Settlement Date to October 31, 2019 (such period, the “**initial calendar month**”) will equal \$25.00 per Security (unless a Loss Rebalancing Event occurs during the initial calendar month). For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

$$\text{New Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable Monthly Valuation Date} - \text{Accrued Fees on the applicable Monthly Valuation Date}$$

In the event of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as described below under “— Loss Rebalancing Events”.

If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

For each calendar month, the “**Monthly Reset Date**” is the first Exchange Business Day of that month beginning on November 1, 2019 and ending on October 1, 2049, subject to adjustment as described under “— Market Disruption Event.” If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, as applicable, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities.

For each Monthly Reset Date, the “**Monthly Valuation Date**” is the last Exchange Business Day of the previous calendar month beginning on October 31, 2019 and ending on September 30, 2049, subject to adjustment as described under “— Market Disruption Event.” If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates or Monthly Valuation Dates will occur during the term of the Securities.

The “**Index Factor**” is: $1 + (2 \times \text{Index Performance Ratio})$.

The “**Index Performance Ratio**” may be calculated on multiple dates of determination during any applicable calendar month. The formula used to calculate the Index Performance Ratio on any date of determination depends on the number of Loss Rebalancing Events that have occurred in the applicable calendar month.

If no Loss Rebalancing Events have occurred in the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, the first Loss Rebalancing Valuation Date of the applicable calendar month or any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{Monthly Initial Closing Level}}{\text{Monthly Initial Closing Level}}$$

where the “**Monthly Initial Closing Level**” for the initial calendar month is 230.9117, the Index Closing Level on October 24, 2019. For each subsequent calendar month, the Monthly Initial Closing Level will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month. For example, the Monthly Initial Closing Level for November 2019 will equal the Index Closing Level on October 31, 2019, subject to adjustment. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

If one or more Loss Rebalancing Events have occurred during the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, on each Loss Rebalancing Valuation Date after the first Loss Rebalancing Valuation Date in the applicable calendar month or on any other date of determination, as applicable, the Index Performance Ratio will be equal to:

$$\frac{\text{Index Valuation Level} - \text{the most recent Loss Rebalancing Closing Level}}{\text{the most recent Loss Rebalancing Closing Level}}$$

The “**Index Closing Level**” will equal the closing level of the Index on any date of determination, as reported on the NYSE and Bloomberg L.P.

The “**Index Valuation Level**”, as determined by the Security Calculation Agent will equal the arithmetic mean of the Index Closing Levels measured on each Index Business Day during the applicable Measurement Period, or the Index Closing Level on any Monthly Valuation Date, Loss Rebalancing Valuation Date or Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) *1/5 times* (b) (i) the sum of the Index Closing Levels on each Index Business Day from, and including, the first Index Business Day of the applicable Measurement Period, to, and including, the date of determination, *plus* (ii) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such Measurement Period, *times* the Index Closing Level on such date of determination.

“**Measurement Period**” means the Final Measurement Period, Call Measurement Period or Acceleration Valuation Period, as applicable.

The “**intraday indicative value**”, or “**Indicative Value**” is an amount per Security, as determined by the Security Calculation Agent as of any date of determination equal to (Current Principal Amount on the previous calendar day \times Index Factor, calculated using the intraday indicative value of the Index) — Accrued Fees + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

The “**Current Indicative Principal Amount**”, is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, using the Index Closing Level as of such date as the Index Valuation Level.

The “**Accrued Fees**” as of any date of determination means the sum of (1) the Accrued Tracking Fee as of such date and (2) the Accrued Financing Charges as of such date.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to 0.
- (b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Tracking Fee is an amount equal to the product of: (a) the Annual Tracking Fee as of the initial Monthly Valuation Date and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the Initial Trade Date to, and including, the initial Monthly Valuation Date (or Loss Rebalancing Date, as applicable), and the denominator of which is 365.
- (c) On any subsequent Monthly Valuation Date other than the Initial Monthly Valuation Date or on any Loss Rebalancing Date, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee as of such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and the denominator of which is 365.
- (d) On the last Exchange Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee calculated as of the last Exchange Business Day of the applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, (i) such last Exchange Business Day of such Measurement Period, or (ii) such Redemption Valuation Date (or, if the Optional Acceleration Date or Redemption Valuation Date occurs prior to the initial Monthly Valuation Date, the period from, and excluding, the Initial Trade Date), as applicable, and the denominator of which is 365.

The “**Annual Tracking Fee**” is, as of any date of determination, an amount per Security equal to the product of (i) the Annual Tracking Rate and (ii) the Current Indicative Principal Amount as of the immediately preceding Index Business Day.

The “**Annual Tracking Rate**” is 0.85%. The Securities are subject to “**Accrued Financing Charges**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Charge for each Security is equal to \$0.
- (b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the Initial Trade Date, to and including the initial Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent) *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.
- (c) On any subsequent Monthly Valuation Date, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, whichever is more recent), to and including, the then current Monthly Valuation Date *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.
- (d) On the last Index Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, or, if the Redemption Valuation Date falls in the Initial Calendar Month, the Initial Trade Date, whichever is more recent), to, and including such last Index Business Day in such Measurement Period, or such Redemption Valuation Date, as applicable, *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

The “**Financing Level**” is, as of any date of determination, an amount that equals the Current Principal Amount.

The “**Financing Rate**” will equal the sum of (a) the “**Financing Spread**” of 0.80% and (b) the London interbank offered rate (British Banker’s Association) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Calculation Agent) (“**LIBOR**”), as of 11:00 a.m., London time, on the day that is two London business days prior to the immediately preceding Monthly Valuation Date.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London business day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements in the Index Closing Level and are intended to approximate the monthly financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities.

The “**Final Measurement Period**” means the five Index Business Days from, and including, the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

The “**Stub Reference Distribution Amount**” means, as of the last Index Business Day in a Measurement Period, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the “record date” with respect to any Index Constituent Security, for those cash distributions whose “ex-dividend date” occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date (or if such Redemption Valuation Date or the Optional Acceleration Date occurs prior to the first Coupon Valuation Date, the period from but excluding the Initial Trade Date) to, and including, such last Index Business Day of such Measurement Period, or such Redemption Valuation Date, as applicable; provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold four-fifths, three-fifths, two-fifths and one-fifth of the shares of each Index Constituent Security it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Measurement Period.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently Solactive.

The “**Calculation Date**” means October 13, 2049, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

“**Index Business Day**” means any day on which the Primary Exchange and each Related Exchange are scheduled to be open for trading.

“**Exchange Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

“**Related Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, each exchange or quotation system where trading has a material effect (as determined by the Security Calculation Agent) on the overall market for futures or options contracts relating to such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return on the Securities is linked to the performance of the price return version of the Solactive US High Dividend Low Volatility Index (“SOLHDLV”). The Index is designed to measure the performance of 40 dividend yielding, relatively lower volatility Index Constituent Securities from the universe of the largest 1,000 U.S. listed stocks by market capitalization.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on any applicable Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be October 30, 2019, and the final Redemption Date will be October 14, 2049. In addition, if a call notice has been issued or if acceleration has been triggered, the last Redemption Valuation Date will be the fifth Index Business day prior to the Call Settlement Date or Acceleration Settlement Date, as applicable. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

As of any Redemption Valuation Date, the “Redemption Fee Amount” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation.

$$\text{Closing Indicative Value} \quad - \quad \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “— UBS’s Call Right” and “— Optional Acceleration Upon Minimum Indicative Value” below.

We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Redemption and Repayment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days’ prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify on or after November 12, 2019 through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Call Measurement Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

We refer to this cash payment as the “**Call Settlement Amount.**”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the second Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$250,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

The “**Market Value**” of the Securities outstanding as of the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

Intraday indicative value as of such Exchange Business Day × number of Securities outstanding as reported by HDLBIV <Index> on Bloomberg.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation.

$$\begin{array}{ccccccc} \text{Current} & & & & & & \text{Stub} \\ \text{Principal} & & & & & & \text{Reference} \\ \text{Amount} & + & \text{Coupon} & - & \text{Accrued} & + & \text{Distribution} \\ \times & & \text{Amount} & & \text{Fees} & & \text{Amount} \\ \text{Index Factor} & & & & & & \end{array}$$

You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon a call.

In addition, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See “Specific Terms of the Securities — Optional Acceleration Upon Minimum Indicative Value” below.

Optional Acceleration Upon Minimum Indicative Value

If, at any time, the intraday indicative value of the Securities on any Index Business Day equals \$2.00 or less (the “**Indicative Value Optional Acceleration Trigger**”) (each such day, an “**Optional Acceleration Date**”), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed \$2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the “**Acceleration Option**”).

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following an Indicative Value Optional Acceleration Trigger Event occurring, if UBS does not elect to exercise such Acceleration Option.

The “**Acceleration Amount**” will equal

- (a) the product of
 - (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Acceleration Valuation Period, *plus*
- (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Optional Acceleration Date if on the last Index Business Day in the Acceleration Valuation Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*
- (c) the Accrued Fees as of the last Index Business Day in the Acceleration Valuation Period, *plus*
- (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Acceleration Valuation Period, if any.

If the Acceleration Amount is equal to or less than zero, the payment upon acceleration will be zero.

If the Indicative Value Optional Acceleration Trigger threshold has been breached and UBS elects to exercise its Acceleration Option, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The “**Acceleration Settlement Date**” will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period. The “**Acceleration Valuation Period**” will be the five Index Business Days from, but excluding, the Optional Acceleration Date, subject to adjustment as described under “— Market Disruption Event.” Subject to the prior verification by the Security Calculation Agent that the intraday indicative value of the Securities of \$2.00 or less was accurately calculated by the NYSE, UBS must provide notice (which may be provided via press release) to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date.

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted accordingly.

The following graphic illustrates the formula to determine the Acceleration Amount, which has been simplified for ease of presentation.

$$\frac{\text{Current Principal Amount}}{\text{Index Factor}} + \text{Coupon Amount} - \text{Accrued Fees} + \text{Stub Reference Distribution Amount}$$

You may lose all or a substantial portion of your investment upon acceleration. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon acceleration.

In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right. See "— UBS's Call Right" above.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A "**Loss Rebalancing Event**" occurs if, at any time, the Intraday Index Value on any Index Business Day (other than an Excluded Day, as defined herein) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss Rebalancing Event occurs, the Current Principal Amount of the Securities will be reset as described below, which will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. A Loss Rebalancing Event may occur irrespective of whether a Market Disruption Event also occurs on such Index Business Day.

Upon the occurrence of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as follows:

New Current Principal Amount = *previous Current Principal Amount* × Index Factor on the applicable Loss Rebalancing Valuation Date — Accrued Fees on the applicable Loss Rebalancing Valuation Date

In the event of a Loss Rebalancing Event, the Financing Rate will not be adjusted.

On the next Monthly Valuation Date following one or more Loss Rebalancing Events, the Monthly Initial Closing Level will be replaced with the most recent Loss Rebalancing Closing Level in the calculation of the Index Performance Ratio.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar month. This means both that (i) the Current Principal Amount may be reset more frequently than monthly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

On any Loss Rebalancing Valuation Date, the Accrued Financing Charges for each Security will equal the product of (i) the Financing Level on the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, *times* (ii) the Financing Rate *times* (iii) the number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date or Loss Rebalancing Valuation Date, whichever is more recent, to, and including, the then current Loss Rebalancing Valuation Date *divided by* (iv) 360.

An "**Excluded Day**" means (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) any Loss Rebalancing Valuation Date (iv) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (v) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (vi) the Optional Acceleration Date or any day after the Optional Acceleration Date.

"**Loss Rebalancing Closing Level**" means the Index Closing Level on the Loss Rebalancing Valuation Date.

"**Loss Rebalancing Reset Date**" means the first Index Business Day immediately following a Loss Rebalancing Valuation Date, subject to adjustment as described under "— Market Disruption Event."

"**Loss Rebalancing Valuation Date**" means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under "— Market Disruption Event";

- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Principal Amount, intraday indicative value, Market Disruption Events, Business Days, Index Business Days, Exchange Business Days, the Index Factor, the Index Performance Ratio, the Index Valuation Level, the Financing Level, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Acceleration Amount that we will pay you upon acceleration, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred and whether any day is a Business Day, Index Business Day or an Exchange Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Acceleration Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Acceleration Amount, the Financing Level, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on an Averaging Date (as defined below), the Index Closing Level for such Averaging Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing (the “**Deferred Averaging Date**”) with respect to the Index irrespective of whether, pursuant to such determination, the Deferred Averaging Date would fall on a date originally scheduled to be an Averaging Date. If the postponement described in the preceding sentence results in the Index Closing Level being calculated on a day originally scheduled to be an Averaging Date, for purposes of determining the Index Closing Level on any Averaging Date, the Security Calculation Agent or one of its affiliates, as the case may be, will apply the Index Closing Level for such Deferred Averaging Date (i) on the date(s) of the original Market Disruption Event and (ii) such Averaging Date. For example, if the applicable Measurement Period for purposes of calculating the Call Settlement Amount is based on the arithmetic mean of the Index Closing Levels on November 3, November 4, November 5, November 6 and November 7, and there is a Market Disruption Event with respect to the Index on November 3, but no other Market Disruption Event during such Measurement Period, then the Index Closing Level on November 4 will be used twice to calculate the Call Settlement Amount, and the Call Settlement Amount will be determined based on the arithmetic mean of the Index Closing Levels on November 4, November 4, November 5, November 6 and November 7. The same approach would be applied if there is a Market Disruption Event during any Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date or any Monthly Valuation Date or Loss Rebalancing Valuation Date, the Index Closing Level for such Redemption Valuation Date, Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on November 3 and there is a Market Disruption Event with respect to the Index on November 3, then the Index Closing Level on November 4 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on November 4.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, occurring more than three Index Business Days following the day originally scheduled to be such final Averaging Date or such Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the third Index Business Day following the date originally scheduled to be the final Averaging Date or any Monthly Valuation Date, Redemption Valuation Date or Loss Rebalancing Valuation Date, as applicable, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such third Index Business Day but for such Market Disruption Event. If any Monthly Valuation Date or Loss Rebalancing Valuation Date is postponed as described above, the succeeding Monthly Reset Date or Loss Rebalancing Reset Date will occur on the next Index Business Day following the postponed Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable.

An “**Averaging Date**” means each of the Index Business Days during a Measurement Period, subject to adjustment as described herein.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities for trading in the Index Constituent Security, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in “Medium-Term Notes, Series B” above. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the four Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the fourth Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Monthly Valuation Date or Loss Rebalancing Valuation Date, as applicable, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described herein as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Principal Amount, Index Factor, intraday indicative value, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, or upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after October 24, 2019 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after October 24, 2019 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange or Related Exchange (each as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of units in the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or the units in the Index constituents included in the Index (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index or a successor index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Valuation Level, the Index Performance Ratio, the Coupon Amount, the Reference Distribution Amount, the Stub Reference Distribution Amount, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Acceleration Amount that we will pay you in the event of an optional acceleration upon minimum indicative value, if applicable, the Loss Rebalancing Closing Level, if any, the Monthly Initial Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or acceleration, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above.

Modified Business Day

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in "Medium-Term Notes, Series B" above, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

13. ETRACS Quarterly Pay 1.5x Leveraged Alerian MLP Index ETN due June 10, 2050

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, plus (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, minus (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under “— Automatic Acceleration Upon Zero Value Event.”

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receive in respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The “**Coupon Amount**” means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The “**Accrued Dividend**” means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means, on any calendar day, an amount per Security equal to (a)(i) the Index Dividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The “**Index Dividend Point**” means, on any calendar day, an amount per Security equal to the *sum of the products* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Sponsor and investors may be required to pay a fee and meet any other requirements of the Index Sponsor, in order to access such information. See “Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors”.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be July 22, 2020, subject to adjustment as provided herein. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the Final Coupon Ex-Date occurs prior to the Maturity Date, but the Final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the Final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The “**Coupon Valuation Date**” means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be June 30, 2020.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

“**Coupon Business Day**” means any Index Business Day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is June 10, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security;
- b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
$$(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees} + \text{Accrued Dividend}$$
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
$$(\text{Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Accrued Dividend} + \text{Measurement Period Cash Amount}$$
- d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

- (1) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, \$25.00 per Security;
- (2) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

- (1) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (2) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under “— Market Disruption Event.”

For purposes of the “Quarterly Reset Valuation Date” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Residual Factor**” will be calculated as follows:

- a) on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four. For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.
- c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is 147.1048, the Index Closing Level on the Initial Trade Date, as reported by Bloomberg L.P. and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. and Reuters; provided, however, that if the closing level of the Index as reported on Bloomberg L.P. (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) is 147.1048, the Index Closing Level measured on the Initial Trade Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- a) On the Initial Trade Date, \$25.00.

- b) On any other calendar day prior to the first day of an applicable Measurement Period: (Current Principal Amount on the immediately preceding calendar day \times Index Factor, calculated using the Intraday Index Value) - Accrued Fees + Accrued Dividend.
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to: (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period \times Index Factor, calculated using the Intraday Index Value \times Residual Factor, from the immediately preceding calendar day) - Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day
- d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or “intraday indicative value”) will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.
- c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.
- c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- a) \$0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) On the first day of an applicable one-day Measurement Period:
- c) At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)
- d) From and including the first day of an applicable four-day Measurement Period:
 - i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).

- ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- e) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$100,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$100,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MLPRSO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently S&P Dow Jones Indices.

The “**Calculation Date**” means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of the Securities is based upon the performance of the Alerian MLP Index (Bloomberg: “AMZ”). The Index measures the composite performance of energy master limited partnerships (“MLPs”), and is calculated by S&P Dow Jones Indices using a capped, float-adjusted, capitalization weighted methodology. We refer to the MLPs included in the Index as the “Index Constituent Securities.” The Index Constituent Securities earn the majority of their cash flow from qualifying activities involving energy commodities, which include pipeline transportation, gathering and processing, storage, production and mining, marketing, marine transportation, services, catalytic conversion, mineral interest, refining, regasification and other related activities.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\begin{array}{rcccl} \text{Redemption} & & & & \\ \text{Amount} & = & \text{Closing Indicative} & - & \text{Redemption Fee Amount} \\ & & \text{Value} & & \end{array}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See "Specific Terms of the Securities — UBS's Call Right" and "Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event".

We discuss these matters in the accompanying prospectus under "Description of Debt Securities We May Offer — Redemption and Repayment."

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a "**Redemption Notice**" to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the "**Redemption Confirmation**", to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS's Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$100,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$100,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MLPRSO <Index> on Bloomberg L.P.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

A “**Zero Value Event**” occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the “Zero Value Event” definition, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The “Zero Value Settlement Amount” per Security will be calculated as follows:

- a) On any calendar day, to but excluding the first day of an applicable Measurement Period:
 - (i) the Accrued Dividend, minus (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.
- b) From and including the first day of an applicable Measurement Period:
 - (i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.
- c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

- a) If the Accrued Dividend was \$0.04, the Accrued Fees was \$0.01, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.03.
- b) If the Accrued Dividend was \$0.01, the Accrued Fees was \$0.05, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.
- c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was \$0.01, the Accrued Fees was \$0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was \$6.59, then the Zero Value Settlement Amount would be \$6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

From and including the first day of an applicable Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Measurement Period Cash Amount on immediately preceding calendar day} + \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

The “Zero Value Settlement Date” will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see “Valuation of the Index and the Securities”.

You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.

In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “Loss Rebalancing Event” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the “Loss Rebalancing Event” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

“**Loss Rebalancing Valuation Date**” means:

- a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”;
- b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A “**Permanent Deleveraging Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the “Permanent Deleveraging Event” definition, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- a) The “**First Permanent Deleveraging Valuation Date**” means:
 - i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “- Market Disruption Event”;
 - ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

- b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the “intraday indicative value”), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- c) the Index is not published; or
- d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

plus

the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the accompanying prospectus.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

14. ETRACS Quarterly Pay 1.5X Leveraged MVIS BDC Index ETN due June 10, 2050

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under “— Automatic Acceleration Upon Zero Value Event.”

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receive in respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The “**Coupon Amount**” means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The “**Accrued Dividend**” means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means, on any calendar day, an amount per Security equal to (a)(i) the Index Dividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The “**Index Dividend Point**” means, on any calendar day, an amount per Security equal to the *sum of the products* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent, in order to access such information. See “Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors”.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day

If the final Coupon Ex-Date occurs prior to the Maturity Date, but the final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The “**Coupon Valuation Date**” means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

“**Coupon Business Day**” means any Index Business day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is June 10, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security;
- b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees} + \text{Accrued Dividend}$
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Accrued Dividend} + \text{Measurement Period Cash Amount}$
- d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

- e) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, \$25.00 per Security;
- f) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

1. Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
2. Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under “— Market Disruption Event.”

For purposes of the “Quarterly Reset Valuation Date” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Residual Factor**” will be calculated as follows:

- a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.
For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero
- c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. Immediately after market close on the Effective Date, the Last Reset Index Closing Level is adjusted to be 536.663, the Index Closing Level of the successor index on the Effective Date, as reported by Bloomberg L.P.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. 536.663 is the Index Closing Level of the successor index on the Effective Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- a) On the Initial Trade Date, \$25.00.
- b) On any other calendar day prior to the first day of an applicable Measurement Period:
(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) — Accrued Fees + Accrued Dividend.
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
(Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor, from the immediately preceding calendar day) — Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day
- d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or “intraday indicative value”) will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.
- c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.
- c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

- d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- a) \$0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) On the first day of an applicable one-day Measurement Period:

At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)

- c) From and including the first day of an applicable four-day Measurement Period:
 - i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).
 - ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$25,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$25,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by BDCXSO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is Solactive AG as of market close on July 30, 2021.

The “**Calculation Date**” means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return on the Securities is linked to the performance of the MVIS US Business Development Companies Index, the successor index to the Wells Fargo Business Development Company Index (the “**Original Index**”) effective after market close on the July 30, 2021 (the “**Effective Date**”) (Bloomberg: “MVBIZD”). On April 26, 2021, the Security Calculation Agent announced that, pursuant to the terms of the Securities, it has determined that the Index is comparable to the Original Index and approved the Index as the successor index for the Securities following the discontinuation of publication of the Original Index. The Index is intended to measure the performance of the largest and most liquid companies which are treated as business development companies and are incorporated in the United States. The “Index Sponsor” is MV Index Solutions GmbH.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a market disruption event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days’ prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its call right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a market disruption event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “**Call Measurement Period**” means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$25,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$25,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by BDCXSO <Index> on Bloomberg L.P.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

A “**Zero Value Event**” occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the “Zero Value Event” definition, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The “**Zero Value Settlement Amount**” per Security will be calculated as follows:

- a) On any calendar day, to but excluding the first day of an applicable Measurement Period:
 - (i) the Accrued Dividend, *minus* (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.

- b) From and including the first day of an applicable Measurement Period:
- (i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.
- c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

- a) If the Accrued Dividend was \$0.04, the Accrued Fees was \$0.01, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.03.
- b) If the Accrued Dividend was \$0.01, the Accrued Fees was \$0.05, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.
- c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was \$0.01, the Accrued Fees was \$0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was \$6.59, then the Zero Value Settlement Amount would be \$6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

$$\begin{array}{r} \text{Zero Value Settlement} \\ \text{Amount} \end{array} = \text{Accrued Dividend} - \begin{array}{r} \text{Accrued Fees on date} \\ \text{Zero Value Event} \\ \text{occurred} \end{array}$$

From and including the first day of an applicable Measurement Period:

$$\begin{array}{r} \text{Zero Value} \\ \text{Settlement} \\ \text{Amount} \end{array} = \begin{array}{r} \text{Measurement Period Cash} \\ \text{Amount on immediately} \\ \text{preceding calendar day} \end{array} + \text{Accrued Dividend} - \begin{array}{r} \text{Accrued Fees on date} \\ \text{Zero Value Event} \\ \text{occurred} \end{array}$$

The “**Zero Value Settlement Date**” will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see “Valuation of the Index and the Securities”.

You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.

In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right. See “Specific Terms of the Securities — UBS Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the “Loss Rebalancing Event” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

“**Loss Rebalancing Valuation Date**” means:

- a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”;
- b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A “**Permanent Deleveraging Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the “Permanent Deleveraging Event” definition, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- a) The “**First Permanent Deleveraging Valuation Date**” means:
 - i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “- Market Disruption Event”;
 - ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

- b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the “intraday indicative value”), Closing Indicative Value, market disruption events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a market disruption event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a market disruption event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the market disruption event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a market disruption event with respect to the Index on June 2, but no other market disruption event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a market disruption event during a four-day Final Measurement Period.

To the extent a market disruption event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a market disruption event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a market disruption event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such market disruption event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a market disruption event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such market disruption event.

Any of the following will be a market disruption event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- c) the Index is not published; or
- d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be market disruption events with respect to the Index:

- a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal: the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

plus

the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or Index Calculation Agent discontinues publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the accompanying prospectus.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

15. ETRACS Monthly Pay 1.5x Leveraged Mortgage REIT ETN due June 10, 2050

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under “— Automatic Acceleration Upon Zero Value Event.”

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receive in respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The “**Coupon Amount**” means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The “**Accrued Dividend**” means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means, on any calendar day, an amount per Security equal to (a)(i) the Index Dividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The “**Index Dividend Point**” means, on any calendar day, an amount per Security equal to the *sum of the products* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent, in order to access such information. See “Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors”.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be July 22, 2020, subject to adjustment as provided herein. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the Final Coupon Ex-Date occurs prior to the Maturity Date, but the Final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the Final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The “**Coupon Valuation Date**” means the 30th day of each month and the 28th day of February, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be June 30, 2020.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

“**Coupon Business Day**” means any Index Business Day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is June 10, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security;
- b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees} + \text{Accrued Dividend}$
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Accrued Dividend} + \text{Measurement Period Cash Amount}$
- d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

- 1) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, \$25.00 per Security;
- 2) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment.

You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

- 1) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and.
- 2) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under “— Market Disruption Event.”

For purposes of the “Quarterly Reset Valuation Date” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Residual Factor**” will be calculated as follows:

- a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is 156.926, the Index Closing Level on the Initial Trade Date, as reported by Bloomberg L.P. and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. and Reuters; provided, however, that if the closing level of the Index as reported on Bloomberg L.P. (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) is 156.926, the Index Closing Level measured on the Initial Trade Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- a) On the Initial Trade Date, \$25.00.
- b) On any other calendar day prior to the first day of an applicable Measurement Period:

(Current Principal Amount on the immediately preceding calendar day \times Index Factor, calculated using the Intraday Index Value) - Accrued Fees + Accrued Dividend.

- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period \times Index Factor, calculated using the Intraday Index Value \times Residual Factor, from the immediately preceding calendar day) - Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day

- d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or “intraday indicative value”) will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee. If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.
- c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.
- c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- a) \$0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) On the first day of an applicable one-day Measurement Period:

At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)

- c) From and including the first day of an applicable four-day Measurement Period:
 - i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).
 - ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

- d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$100,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$100,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MVRLSO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently Solactive AG.

The “**Calculation Date**” means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return on the Securities is based upon the performance of the MVIS US Mortgage REITs Index (Bloomberg: “MVMORT”; Reuters: “.MVMORT”). The Index tracks the overall performance of publicly-traded mortgage REITs that are listed and incorporated in the United States and derive at least 50% of their revenues from mortgage-related activity.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\begin{array}{rcccl} \text{Redemption} & & \text{Closing Indicative} & & \text{Redemption Fee} \\ \text{Amount} & = & \text{Value} & - & \text{Amount} \end{array}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;

- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days’ prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “Call Measurement Period” means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$100,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$100,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by MVRLSO <Index> on Bloomberg L.P.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

A “**Zero Value Event**” occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the “Zero Value Event” definition, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The “**Zero Value Settlement Amount**” per Security will be calculated as follows:

- a) On any calendar day, to but excluding the first day of an applicable Measurement Period:
 - (i) the Accrued Dividend, *minus* (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.
- b) From and including the first day of an applicable Measurement Period:
 - (i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.
- c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

- a) If the Accrued Dividend was \$0.04, the Accrued Fees was \$0.01, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.03.
- b) If the Accrued Dividend was \$0.01, the Accrued Fees was \$0.05, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.

- c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was \$0.01, the Accrued Fees was \$0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was \$6.59, then the Zero Value Settlement Amount would be \$6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

From and including the first day of an applicable Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Measurement Period Cash Amount on immediately preceding calendar day} + \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

The “**Zero Value Settlement Date**” will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see “Valuation of the Index and the Securities”.

You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.

In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the “Loss Rebalancing Event” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

“**Loss Rebalancing Valuation Date**” means:

- a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”;
- b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A “**Permanent Deleveraging Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the “Permanent Deleveraging Event” definition, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- a) The “**First Permanent Deleveraging Valuation Date**” means:
 - i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “- Market Disruption Event”;
 - ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

- b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the “intraday indicative value”), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- c) the Index is not published; or
- d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

plus

the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

Modified Business Day

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

16. ETRACS Monthly Pay 1.5x Leveraged Closed-End Fund Index ETN due June 10, 2050

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of UBS AG debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

Principal Amount: \$100,000,000

Issuer: UBS AG (London Branch)

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If a Zero Value Event occurs, for each Security you will receive a cash payment per Security on the Zero Value Settlement Date equal to the (i) the Measurement Period Cash Amount, on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, on the date on which the Zero Value Event occurred, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred, as described under “— Automatic Acceleration Upon Zero Value Event.”

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index constituents would have been entitled to receive in respect of the Index constituents during the relevant period. The Coupon Amount may be equal to zero.

The “**Coupon Amount**” means (i) on any calendar day that is not a Coupon Ex-Date, zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

The “**Accrued Dividend**” means (i) on the Initial Trade Date, zero; and (ii) on any subsequent calendar day, an amount per Security equal to (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means, on any calendar day, an amount per Security equal to (a)(i) the Index Dividend Point, *times* (ii) the Leverage Factor, *times* (iii) the Current Principal Amount on the immediately preceding calendar day, *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (b) the Last Reset Index Closing Level.

The “**Index Dividend Point**” means, on any calendar day, an amount per Security equal to the *sum of the products* of (i) the cash value of distributions that a hypothetical holder of one share of each Index Constituent Security on such calendar day would have been entitled to receive in respect of that Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day and (ii) the number of units of that Index Constituent Security included in the Index as of such date.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent, in order to access such information. See “Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors”.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Securities for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The “**Coupon Payment Date**” means the fifteenth (15th) Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be July 22, 2020, subject to adjustment as provided herein. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the Final Coupon Ex-Date occurs prior to the Maturity Date, but the Final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the Final Coupon Payment Date will be the Maturity Date, subject to adjustment as provided herein.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business Day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Zero Value Settlement Amount payable on the Zero Value Settlement Date.

In addition, if a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The “**Coupon Valuation Date**” means the 30th day of each month and the 28th day of February, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date, subject to adjustment described herein. The first Coupon Valuation Date will be June 30, 2020.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or distribution payment from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

“**Coupon Business Day**” means any Index Business Day other than an Index Business Day other than an Index Business Day on which banking institutions in New York are generally not authorized or obligated by law, regulation or executive order to open.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is June 10, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. If the Securities are called by UBS or accelerated upon the occurrence of a Zero Value Event, the Call Settlement Amount or Zero Value Settlement Amount, as applicable, may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security;
- b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees} + \text{Accrued Dividend}$
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Accrued Dividend} + \text{Measurement Period Cash Amount}$
- d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs on any Index Business Day then the Closing Indicative Value will be equal to the Zero Value Settlement Amount on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would be approximately half of the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be fully redeemed and you will receive the Zero Value Settlement Amount (which amount may be zero).

The Current Principal Amount per Security, will be calculated as follows:

- 1) From and including the Initial Trade Date to and excluding the subsequent Reset Valuation Date, \$25.00 per Security;
- 2) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the subsequent Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date.

If a Zero Value Event occurs on any Index Business Day then the Current Principal Amount will be equal to zero on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment.

You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

- 1) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and.
- 2) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The definition of each valuation date is set forth below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the last Index Business Day of January, April, July and October of each calendar year beginning on July 31, 2020 and ending on April 29, 2050 (other than an Excluded Day), subject to adjustment as described under “— Market Disruption Event.”

For purposes of the “Quarterly Reset Valuation Date” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

If a Zero Value Event occurs at any time during any Index Business Day then the Index Factor will be equal to zero subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

The “**Residual Factor**” will be calculated as follows:

- a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four. For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (3/4), on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (2/4), on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal (1/4) and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.
- c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 1.5. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is 622.5081, the Index Closing Level on the Initial Trade Date, as reported by Bloomberg L.P. and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg L.P. and Reuters; provided, however, that if the closing level of the Index as reported on Bloomberg L.P. (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) is 622.5081, the Index Closing Level measured on the Initial Trade Date, as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- a) On the Initial Trade Date, \$25.00.
- b) On any other calendar day prior to the first day of an applicable Measurement Period: (Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) — Accrued Fees + Accrued Dividend.
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to: (Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor, from the immediately preceding calendar day) — Accrued Fees + Accrued Dividend + Measurement Period Cash Amount, from the immediately preceding calendar day
- d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value). **If a Zero Value Event occurs during any Index Business Day then the Current Indicative Value (or “intraday indicative value”) will be equal to the Zero Value Settlement Amount, subsequent to the event on the date on which the Zero Value Event occurred, and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will likely lose all or substantially all of their investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.** See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- b) On any subsequent calendar day, the Daily Tracking Fee is equal to: (a) (i) 0.95%, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *times* (iii) the Index Factor, on such calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 365.
- c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Accrued Financing Fee is equal to: (a) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (b) the Daily Financing Fee on such calendar day.
- c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- b) On any subsequent calendar day, the Daily Financing Fee is equal to: (a) (i) 0.5, *times* (ii) the Financing Rate, on such calendar day, *times* (iii) the Current Principal Amount, on the immediately preceding calendar day, *times* (iv) the Residual Factor, on the immediately preceding calendar day, *divided by* (b) 360.
- c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.

- d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration upon the occurrence of a Zero Value Event.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 1.68275% was the three-month U.S. Dollar LIBOR rate on February 20, 2020, which was a London Business Day. The Financing Rate on February 21, 2020 would have been equal to 0.95% + 1.68275%, or 2.63275%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- a) \$0.00 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- b) On the first day of an applicable one-day Measurement Period:

At the close of trading on such Index Business Day, (the Current Principal Amount on the immediately preceding calendar day × Index Factor on such Index Business Day)

- c) From and including the first day of an applicable four-day Measurement Period:
 - i. At the close of trading on each Index Business Day during the applicable four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day).
 - ii. On any calendar day during an applicable four-day Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a four-day Measurement Period, approximately 25% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of an applicable four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$50,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$50,000,000, the four (4) Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by CEFDSO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently ICE Data Services.

The “**Calculation Date**” means June 2, 2050, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return on the Securities is based upon the performance of the S-Network Composite Closed-End Fund Index (Bloomberg: “CEFX”). The Index is a mutual fund index designed to serve as a benchmark for closed-end funds listed in the U.S. that are principally engaged in asset management processes designed to produce taxable annual yield.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. We reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\begin{array}{r} \text{Redemption} \\ \text{Amount} \end{array} = \begin{array}{r} \text{Closing Indicative} \\ \text{Value} \end{array} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment.”

The Redemption Amount is meant to induce arbitrageurs to counteract any trading of the Securities at a premium or discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon (New York City time), or your Redemption Confirmation after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the Redemption Notice is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS's Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this call right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount calculated above is equal to or less than zero, the payment upon UBS's exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "**— Market Disruption Event**."

The "**Call Measurement Period**" means:

- a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$50,000,000, the Call Valuation Date, subject to adjustments as described under "**— Market Disruption Event**";
- b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$50,000,000, the four (4) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "**— Market Disruption Event**."

For the purpose of determining the Final Measurement Period, the "**Market Value**" of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by CEFDSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}$$

You may lose all or a substantial portion of your investment upon a call. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amounts you may be entitled to receive), or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

In addition, upon the occurrence of a Zero Value Event, the Securities may be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

A “**Zero Value Event**” occurs if, on any Index Business Day (other than an Excluded Day), the Intraday Index Value decreases by 66.66667% or more in value from the Last Reset Index Closing Level. From immediately after the Zero Value Event and on all future calendar days, the Index Factor and the Current Principal Amount will be set equal to zero. The Accrued Dividend and Accrued Fees will be fixed at their respective values on the Zero Value Event date and will stay unchanged on all future calendar days.

When the Intraday Index Value decreases 66.66667% in value from the Last Reset Index Closing Level, the Index Factor will equal zero. A Zero Value Event represents the first instance when the effective unleveraged notional amount that is deemed invested in the Index per Security equals zero. It will have the effect of permanently resetting the value of your Securities to a fixed value (which may be zero) and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. A Zero Value Event is expected to occur only in the narrow window of time between the occurrence of a Permanent Deleveraging Event and completion of the leverage reset to 1.0 at the end of the Second Permanent Deleveraging Valuation Date.

For the purposes of the “Zero Value Event” definition, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on which a Zero Value Event has already occurred, (iii) any calendar day after the occurrence of a Zero Value Event, and (iv) any calendar day after the last day of an applicable Measurement Period.

If a Zero Value Event occurs, all issued and outstanding Securities will be automatically terminated and mandatorily redeemed by UBS and you will receive the Zero Value Settlement Amount on the Zero Value Settlement Date. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event and specify the relevant Zero Value Settlement Date and Zero Value Settlement Amount in respect of your investment in the Securities. The Securities will be suspended from trading intra-day shortly after the event occurs and will likely not be open for trading again on NYSE Arca before the Zero Value Settlement Date.

If a Zero Value Event occurs on an Index Business Day that would otherwise be a Coupon Ex-Date, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended.

The “**Zero Value Settlement Amount**” per Security will be calculated as follows:

- a) On any calendar day, to but excluding the first day of an applicable Measurement Period:
 - (i) the Accrued Dividend, *minus* (ii) the Accrued Fees, on the date on which the Zero Value Event occurred.
- b) From and including the first day of an applicable Measurement Period:
 - (i) the Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (ii) the Accrued Dividend, *minus* (iii) the Accrued Fees, on the date on which the Zero Value Event occurred.
- c) The minimum value of the Zero Value Settlement Amount will be zero.

For example:

- a) If the Accrued Dividend was \$0.04, the Accrued Fees was \$0.01, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.03.
- b) If the Accrued Dividend was \$0.01, the Accrued Fees was \$0.05, and the Measurement Period Cash Amount was \$0, then the Zero Value Settlement Amount would be \$0.
- c) If the Zero Value Event occurred during a four-day Measurement Period, and the Accrued Dividend was \$0.01, the Accrued Fees was \$0.03, and the Measurement Period Cash Amount on the immediately preceding calendar day was \$6.59, then the Zero Value Settlement Amount would be \$6.57.

The following graphics illustrate the formula to determine the Zero Value Settlement Amount, which has been simplified for ease of presentation:

On any calendar day, to but excluding the first day of an applicable four-day Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

From and including the first day of an applicable Measurement Period:

$$\text{Zero Value Settlement Amount} = \text{Measurement Period Cash Amount on immediately preceding calendar day} + \text{Accrued Dividend} - \text{Accrued Fees on date Zero Value Event occurred}$$

The “**Zero Value Settlement Date**” will be the third Index Business Day following the date on which the Zero Value Event occurred. For a detailed description of how the Current Indicative Value (or intraday indicative value) of the Securities is calculated see “Valuation of the Index and the Securities”.

You may lose all or a substantial portion of your investment upon the occurrence of a Zero Value Event. Upon the occurrence of a Zero Value Event you will receive on the Zero Value Settlement Date only the Zero Value Settlement Amount per Security.

In addition, the Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 1.5. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 15% or more in value from the previously Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

For purposes of the “Loss Rebalancing Event” definition, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15pm on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15pm on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, (viii) a Zero Value Event date, and (ix) any calendar day after the Zero Value Event date.

“**Loss Rebalancing Valuation Date**” means:

- a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”;
- b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0, over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 1.5 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Permanent Deleveraging Event. A Permanent Deleveraging Event is expected to occur only in the narrow window of time between the occurrence of a Loss Rebalancing Event and completion of the leverage reset to 1.5 at the end of the Loss Rebalancing Valuation Date.

A “**Permanent Deleveraging Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day) decreases by 50% or more in value from the Last Reset Index Closing Level.

For purposes of the “Permanent Deleveraging Event” definition, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) a day upon which a Zero Value Event occurs, (iv) any calendar day after the occurrence of a Zero Value Event, (v) the day which is two Index Business Days prior to the first day of an applicable Measurement Period, if a Permanent Deleveraging Event occurs after 3:15pm on such day and (vi) any calendar day from and including the Index Business Day immediately preceding the first day of an applicable Measurement Period.

In the event that a Permanent Deleveraging Event has occurred, UBS will issue a press release before 9:00 a.m. on the Index Business Day immediately following the date on which the Permanent Deleveraging Event occurred, announcing the Permanent Deleveraging Event and notifying you of the Permanent Deleveraging Valuation Dates.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- a) The “**First Permanent Deleveraging Valuation Date**” means:
 - i. Any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “- Market Disruption Event”;
 - ii. If a Permanent Deleveraging Event occurs after 3:15pm on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.5 at the close of trading on the First Permanent Deleveraging Valuation Date.

- b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event”.

The leverage of your Securities will be reset to approximately 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or the “intraday indicative value”), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable, the Zero Value Settlement Amount, if any, that we will pay you upon acceleration following the occurrence of a Zero Value Event, the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon, New York City time, on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date, Zero Value Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Amount and Redemption Fee Amount, if any, per Security, the Call Settlement Amount, if any, per Security, the Current Principal Amount, the Zero Value Settlement Amount, and the Cash Settlement Amount, if any, per Security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of the Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a Market Disruption Event with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- c) the Index is not published; or
- d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled "Use of Proceeds and Hedging".

The following events will not be Market Disruption Events with respect to the Index:

- a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an "absence of trading" in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under "Description of Debt Securities We May Offer — Optional Tax Redemption" in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking,

plus

the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify

the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or

- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call, acceleration upon the occurrence of a Zero Value Event or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value or intraday indicative value, Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption or upon acceleration upon the occurrence of a Zero Value Event by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 2, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- c) any event that occurs on or after June 2, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Accrued Fees, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, the Zero Value Settlement Amount, if any, that we will pay you in the event of acceleration upon the occurrence of a Zero Value Event, if applicable, the Last Reset Index Closing Level and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (e.g., as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity, call or acceleration upon the occurrence of a Zero Value Event, or upon early redemption, will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day or a New York Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the accompanying prospectus.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

17. ETRACS Alerian Midstream Energy Index due June 21, 2050

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

Principal Amount: \$400,000,000

Issuer: UBS AG (London Branch)

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.” If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under “— UBS’s Call Right.” If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount, if any. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index Constituent Securities would have been entitled to receive in respect of the Index Constituent Securities during the relevant period. The Coupon Amount may be equal to zero.

The “**Coupon Amount**” means (i) on any calendar day that is not a Coupon Ex-Date, an amount per Security equal to zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or cash distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or cash distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or cash distribution payments from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

The “**Accrued Dividend**” means, as of any date of determination, an amount per Security equal to: (i) on the Initial Trade Date, \$0.00 per Security; and (ii) on any subsequent calendar day (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* (c) the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means on any calendar day, an amount per Security equal to:

- (a)(i) the Index Dividend Point, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *divided by* (b) the Index Closing Level on the immediately preceding calendar day.

The Daily Dividend will be rounded to four decimal places.

The Daily Dividend is intended to approximate the amount of distributions in US Dollars that a holder of the Securities would receive if such holder held an unleveraged investment in the Index Constituent Securities directly.

The “**Index Dividend Point**” on any calendar day, means an amount per Security equal to (a) (the *sum of the products of* (i) the cash value of distributions, that a hypothetical holder of one share of an Index Constituent Security, whose “ex-dividend date” occurs on such calendar day, would have been entitled to receive (adjustments relating to foreign exchange rate fixings or dividend withholding taxes, described below), and (ii) the number of index shares of that Index Constituent Security included in the Index as of such date), *divided by* (b) the Divisor as of such date.

In respect of distributions on any Canadian Index Constituent Securities, on their respective “ex-dividend date”, the cash value of distributions will be deemed to be converted from Canadian Dollars to U.S. Dollars at the WM / Reuters USD/CAD foreign exchange rate as of 4:00 p.m. Eastern Time on such ex-dividend date (the “**WM / Reuters FX Rate**”). These mid-market fixings are calculated by the WM Company based on Reuters data and appear on the Reuters pages WMRA.

Notwithstanding the foregoing, if the Security Calculation Agent determines on the relevant determination date that:

- (a) the WM/ Reuters FX Rate has been discontinued (or otherwise ceases to be published), materially disrupted or is no longer representative of the underlying market or economic reality; or
- (b) 4:00 p.m. Eastern Time is no longer the appropriate time for fixing the WM/Reuters FX Rate for any of the reasons set forth in (a) above,

then the Security Calculation Agent will, in the case of (a) use a substitute or successor provider of foreign exchange rates that it has determined in its sole discretion is most comparable to the WM / Reuters FX Rate, provided that if the Security Calculation Agent determines that there is an industry- accepted successor provider of foreign exchange rates, then the Security Calculation Agent shall use such successor provider of foreign exchange rates; or in the case of (b) use such other time for fixing of the foreign exchange rate as it has determined in its sole discretion is appropriate based on the WM / Reuters FX Rate, or such substitute or successor provider of foreign exchange rates, as it has determined in its sole discretion is most comparable to the WM / Reuters FX Rate, as set forth above.

As of the date of this prospectus supplement, the applicable dividend withholding tax would reduce the cash value of distributions in respect of any Canadian Index Constituent Security by 15% for purposes of calculating the Index Dividend Point. The 15% rate is subject to adjustment if there is a change under Canadian law or the tax treaty between the United States and Canada or to the Canadian dividend withholding tax rate applicable to a U.S. holder of a Canadian Index Constituent Security that is eligible for the benefits of the tax treaty between the United States and Canada.

In the event that an adjustment relating to foreign exchange rate fixings or dividend withholding taxes is made, we will issue a press release announcing such adjustment and the effective date for such adjustment.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent in order to access such information. See “Risk Factors — The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors”.

The “**Divisor**” means, as of any date of determination, the divisor used by the Index Calculation Agent to calculate the Index Closing Level.

The “**Coupon Payment Date**” means the 15th Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be October 21, 2020, subject to adjustment. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the final Coupon Ex-Date occurs prior to the Maturity Date, but the final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the final Coupon Payment Date will be the Maturity Date, subject to adjustment.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The “**Coupon Valuation Date**” means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date. The first Coupon Valuation Date will be September 30, 2020.

“**Coupon Business Day**” means any Index Business Day other than an Index Business Day on which banking institutions in New York are not authorized or obligated by law, regulation or executive order to be open.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution, and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is June 21, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under

“— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the “**Cash Settlement Amount**”. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Current Principal Amount.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “— UBS’s Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security
- b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend

- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The Current Principal Amount represents the notional investment in the Index Constituent Securities per Security at the close of trading on any calendar day.

The “**Current Principal Amount**” per Security, will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security;
- b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period
(Current Principal Amount on the previous calendar day \times Index Factor)—Daily Tracking Fee
- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
(Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period \times Index Factor \times Residual Factor)

On any calendar day during the Measurement Period that is not an Index Business Day, the Current Principal Amount will be equal to the Current Principal Amount on the previous calendar day.

The minimum value of the Current Principal Amount on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

The “**Index Factor**” on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

- (i) the Index Closing Level, on such Index Business Day, *divided by*, (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

- (i) the Index Closing Level, on such calendar day, *divided by*, (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The “**Residual Factor**” will be calculated as follows:

- a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period
- b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, *divided by* (b) five.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The “**Index Closing Level**” on any date of determination is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. 335.0383 is the initial Index Closing Level measured on June 19, 2020 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor (which is a component of the Current Principal Amount definition) will be determined using the Intraday Index Value.

Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Daily Tracking Fee**” means, as of any date of determination, an amount per Security equal to 0.75% per annum, calculated as follows:

a) On the Initial Trade Date, \$0.00 per Security;

b) On any subsequent calendar day:

$$(0.75\% / 365) \times \text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}$$

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

a) \$0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period.

b) On the first day of an applicable one-day Measurement Period:

a. At the close of trading on such Index Business Day, the (Current Principal Amount, on the immediately preceding calendar day, *times* Index Factor, on such Index Business Day), *minus* Daily Tracking Fee.

c) From and including the first day of an applicable five-day Measurement Period:

a. At the close of trading on each Index Business Day, will equal:

(a) Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (b) ((i) Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period, *times* (ii) Index Factor, *divided by* (iii) five), *minus* (c) Daily Tracking Fee

b. On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee

d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$250,000,000, the Calculation Date, subject to adjustments as described under “Specific Terms of the Securities — Market Disruption Event”;

b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$250,000,000, the five (5) Index Business Days from, and including, the Calculation Date, subject to adjustment as described under “Specific Terms of the Securities — Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNASO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently S&P Dow Jones Indices.

The “**Calculation Date**” means June 10, 2050 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The Alerian Midstream Energy Index (Bloomberg: “AMNA Index”) is a broad-based composite of North American energy infrastructure companies who earn the majority of their cash flow from midstream activities involving energy commodities, such as gathering & processing, liquefaction, pipeline transportation, rail terminating, and storage of energy commodities. The Index is calculated by S&P Dow Jones Indices using a capped, float-adjusted, capitalization weighted methodology. We refer to the companies included in the Index as the “**Index Constituent Securities**”).

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume that you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date —Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount**.”

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$(0.125\% \times \text{Closing Indicative Value of the Security as of such Redemption Valuation Date})$.

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right. See — UBS's Call Right”.

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment.”

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**,” to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request.. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS's Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount so calculated is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “**Call Measurement Period**” means:

- a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is less than \$250,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event.”; or
- b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is equal to or greater than \$250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under “Specific Terms of the Securities — Market Disruption Event.”

For the purpose of determining the Call Measurement Period, the “**Market Value**” of the Securities as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNASO <Index> on Bloomberg L.P.

The “**Call Valuation Date**” means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Index Closing Level}}$$

You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS’s exercise of its call right.

Security Calculation Agent

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or “intraday indicative value”), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day and all such other matters as may be specified herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, the Current Principal Amount and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- c) the Index is not published; or
- d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “**absence of trading**” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.” In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ,or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable at maturity, call or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value (or “intraday indicative value”), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Accrued Dividend, Daily Dividend, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after June 19, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- c) any event that occurs on or after June 19, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the accompanying prospectus.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

18. ETRACS Alerian Midstream Energy High Dividend Index ETN due July 19, 2050

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

Principal Amount: \$250,000,000

Issuer: UBS AG (London Branch)

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.” If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under “— UBS’s Call Right.” If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities may pay a cash coupon during their term.

Coupon Payment

For each Security you hold on the applicable Coupon Record Date, on each Coupon Payment Date you will receive an amount in cash equal to the Coupon Amount, if any. The Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index Constituent Securities would have been entitled to receive in respect of the Index Constituent Securities during the relevant period. The Coupon Amount may be equal to zero.

The “**Coupon Amount**” means (i) on any calendar day that is not a Coupon Ex-Date, an amount per Security equal to zero; and (ii) on any calendar day that is a Coupon Ex-Date, an amount per Security equal to the Accrued Dividend on the Coupon Valuation Date immediately preceding such Coupon Ex-Date. The minimum value of the Coupon Amount will be zero.

The following graphic illustrates the formula to determine the Coupon Amount on a Coupon Ex-Date, which has been simplified for ease of presentation:

$$\text{Coupon Amount} = \text{Accrued Dividend, on the immediately preceding Coupon Valuation Date}$$

If the Securities undergo a split or reverse split, the Coupon Amount will be adjusted accordingly.

Notwithstanding the foregoing, with respect to cash distributions or dividends on an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the dividend or cash distribution to holders of such Index Constituent Security by the scheduled payment date for such dividend or cash distribution, such dividend or distribution will be assumed to be zero for the purposes of calculating the applicable Coupon Amount. Any such delayed dividend or cash distribution payments from the issuer of an Index Constituent Security will be attributed back to the Accrued Dividend and included in the next Coupon Amount.

The “**Accrued Dividend**” means, as of any date of determination, an amount per Security equal to: (i) on the Initial Trade Date, \$0.00 per Security; and (ii) on any subsequent calendar day (a) the Accrued Dividend as of the immediately preceding calendar day, *plus* (b) the Daily Dividend on such calendar day, *minus* (c) the Coupon Amount on such calendar day.

If the Securities undergo a split or reverse split, the Accrued Dividend will be adjusted accordingly.

The “**Daily Dividend**” means on any calendar day, an amount per Security equal to:

- (a)(i) the Index Dividend Point, *times* (ii) the Current Principal Amount on the immediately preceding calendar day, *divided by* (b) the Index Closing Level on the immediately preceding calendar day.

The Daily Dividend will be rounded to four decimal places.

The Daily Dividend is intended to approximate the amount of distributions in US Dollars that a holder of the Securities would receive if such holder held an unleveraged investment in the Index Constituent Securities directly.

The “**Index Dividend Point**” on any calendar day, means an amount per Security equal to (a) (the *sum of the products of* (i) the cash value of distributions, that a hypothetical holder of one share of an Index Constituent Security, whose “ex-dividend date” occurs on such calendar day, would have been entitled to receive (adjustments relating to foreign exchange rate fixings or dividend withholding taxes, described below), and (ii) the number of index shares of that Index Constituent Security included in the Index as of such date), *divided by* (b) the Divisor as of such date.

In respect of distributions on any Canadian Index Constituent Securities, on their respective “ex-dividend date”, the cash value of distributions will be deemed to be converted from Canadian Dollars to U.S. Dollars (i) prior to August 3, 2020, at the WM / Reuters USD/CAD foreign exchange rate as of 4:00 p.m. London Time on such ex-dividend date, and (ii) on and after August 3, 2020, at the WM / Reuters USD/CAD foreign exchange rate as of 4:00 p.m. Eastern Time on such ex-dividend date (the “**WM / Reuters FX Rate**”), provided, however, that if, for purpose of determining the Index Closing Level, the Index Sponsor converts the values of the Canadian Index Constituent Securities from Canadian Dollars to U.S. Dollars using a different USD/CAD foreign exchange rate or using the WM/Reuters USD/CAD exchange rate as of a different time, then such foreign exchange rate selected by the Index Sponsor for purposes of determining the Index Closing Level (and the time selected by the Index Sponsor for such exchange) shall also apply for purposes of determining the cash value of distributions on the Canadian Index Constituent Securities.

The WM/Reuters FX Rate mid-market fixings are calculated by the WM Company based on Reuters data and appear on the Reuters pages WMRA.

Notwithstanding the foregoing, if the Security Calculation Agent determines on the relevant determination date that:

- (a) the WM/ Reuters FX Rate, or the applicable replacement foreign exchange rate determined by the Index Sponsor, has been discontinued (or otherwise ceases to be published), materially disrupted or is no longer representative of the underlying market or economic reality; or
- (b) 4:00 p.m. London Time (or, on and after August 3, 2020, 4:00 p.m. Eastern Time) (or such other time selected by the Index Sponsor for purposes of converting the values of the Canadian Index Constituent Securities to determine the Index Closing Level) is no longer the appropriate time for fixing the applicable exchange rate for any of the reasons set forth in (a) above,

then the Security Calculation Agent will, in the case of (a) use a substitute or successor provider of foreign exchange rates that it has determined in its sole discretion is most comparable to the prior exchange rate, provided that if the Security Calculation Agent determines that there is an industry- accepted successor provider of foreign exchange rates, then the Security Calculation Agent shall use such successor provider of foreign exchange rates; or in the case of (b) use such other time for fixing of the foreign exchange rate as it has determined in its sole discretion is appropriate based on the WM / Reuters FX Rate, or such substitute or successor provider of foreign exchange rates, as it has determined in its sole discretion is most comparable to the prior exchange rate, as set forth above.

As of the date of this prospectus supplement, the applicable dividend withholding tax would reduce the cash value of distributions in respect of any Canadian Index Constituent Security by 15% for purposes of calculating the Index Dividend Point. The 15% rate is subject to adjustment if there is a change under Canadian law or the tax treaty between the United States and Canada or to the Canadian dividend withholding tax rate applicable to a U.S. holder of a Canadian Index Constituent Security that is eligible for the benefits of the tax treaty between the United States and Canada.

In the event that an adjustment relating to foreign exchange rate fixings (other than the change specified above, effective as of August 3, 2020) or dividend withholding taxes is made, we will issue a press release announcing such adjustment and the effective date for such adjustment.

The Index Dividend Point, on any calendar day, represents the total cash value of distributions that a hypothetical holder of the Index Constituent Securities, in proportion to the weights of the Index Constituent Securities, would have been entitled to receive with respect to any Index Constituent Security for those cash distributions whose “ex-dividend date” occurs on such calendar day.

The Index Dividend Point may not be publicly disseminated by the Index Calculation Agent. The data used to calculate the Index Dividend Point is the property of the Index Calculation Agent and investors may be required to pay a fee and meet any other requirements of the Index Calculation Agent in order to access such information. See “Risk Factors – The value of the Index Dividend Point may not be publicly disseminated or otherwise freely accessible to investors”.

The “**Divisor**” means, as of any date of determination, the divisor used by the Index Calculation Agent to calculate the Index Closing Level.

The “**Coupon Payment Date**” means the 15th Index Business Day following each Coupon Valuation Date. The first Coupon Payment Date will be October 21, 2020, subject to adjustment. If such day is not a Coupon Business Day, the Coupon Payment Date shall be the following Coupon Business Day.

If the final Coupon Ex-Date occurs prior to the Maturity Date, but the final Coupon Payment Date otherwise occurs after the Maturity Date, in such case, the final Coupon Payment Date will be the Maturity Date, subject to adjustment.

The “**Coupon Record Date**” means the ninth Index Business Day following each Coupon Valuation Date. If such day is not a Coupon Business day, the Coupon Record Date shall be the immediately preceding Coupon Business Day.

The “**Coupon Ex-Date**,” with respect to a Coupon Amount, means the first Coupon Business Day on which the Securities trade without the right to receive such Coupon Amount. Under current NYSE Arca practice, the Coupon Ex-Date will generally be the Coupon Business Day immediately preceding the applicable Coupon Record Date.

If a day that would otherwise be a Coupon Ex-Date occurs on or after the first day of an applicable Measurement Period, such day will not be a valid Coupon Ex-Date and all further Coupon Ex-Dates will be suspended. In this case, the Coupon Amount corresponding to such Coupon Ex-Date will be included in the Cash Settlement Amount or Call Settlement Amount payable at maturity or call, respectively.

The “**Coupon Valuation Date**” means the 30th day of each March, June, September and December, of each calendar year during the term of the Securities or if such date is not an Index Business Day, then the first Index Business Day following such date, provided that the final Coupon Valuation Date will be the Calculation Date. The first Coupon Valuation Date will be September 30, 2020.

“**Coupon Business Day**” means any Index Business Day other than an Index Business Day on which banking institutions in New York are not authorized or obligated by law, regulation or executive order to be open.

“**record date**” means, (i) with respect to a distribution on an Index Constituent Security, the date on which a holder of the Index Constituent Security must be registered as a stockholder/unitholder of such Index Constituent Security in order to be entitled to receive such distribution, and (ii) with respect to any split or reverse split, the tenth Business Day after the announcement date.

“**ex-dividend date**” means, with respect to a distribution on an Index Constituent Security, the first Business Day on which transactions in such Index Constituent Security trade on the Primary Exchange without the right to receive such distribution.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is July 19, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the “**Cash Settlement Amount**”. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Current Principal Amount.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “—UBS’s Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security

- b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend

- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

Current Principal Amount + Accrued Dividend + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The Current Principal Amount represents the notional investment in the Index Constituent Securities per Security at the close of trading on any calendar day.

The “**Current Principal Amount**” per Security, will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security;

- b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period

(Current Principal Amount on the previous calendar day × Index Factor)—Daily Tracking Fee

- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
(Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor)

On any calendar day during the Measurement Period that is not an Index Business Day, the Current Principal Amount will be equal to the Current Principal Amount on the previous calendar day.

The minimum value of the Current Principal Amount on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

The “**Index Factor**” on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

(i) the Index Closing Level, on such Index Business Day, *divided by*, (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

(i) the Index Closing Level, on such calendar day, *divided by*, (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The “**Residual Factor**” will be calculated as follows:

- a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period

- b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, *divided by* (b) five.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The “**Index Closing Level**” on any date of determination is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. 41.8766 is the initial Index Closing Level measured on July 15, 2020 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor (which is a component of the Current Principal Amount definition) will be determined using the Intraday Index Value.

Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Daily Tracking Fee**” means, as of any date of determination, an amount per Security equal to 0.75% per annum, calculated as follows:

- a) On the Initial Trade Date, \$0.00 per Security;
- b) On any subsequent calendar day:

$$(0.75\% / 365) \times \text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}$$

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- a) \$0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period
- b) On the first day of an applicable one-day Measurement Period:
 - a. At the close of trading on such Index Business Day, the (Current Principal Amount, on the immediately preceding calendar day, *times* Index Factor, on such Index Business Day), *minus* Daily Tracking Fee.
- c) From and including the first day of an applicable five-day Measurement Period:
 - a. At the close of trading on each Index Business Day, will equal:
 - i. Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (b) ((i) Current Principal Amount, on the calendar day immediately preceding the first day of such Measurement Period, *times* (ii) Index Factor, *divided by* (iii) five), *minus* (c) Daily Tracking Fee
 - ii. On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee
- d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Current Principal Amount, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$150,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$150,000,000, the five (5) Index Business Days from, and including, the Calculation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNDSO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently S&P DJI Netherlands B.V.

The “**Calculation Date**” means July 8, 2050 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The Alerian Midstream Energy Dividend Index (Bloomberg: “AEDW”) is a fundamentally-weighted index based on the liquid, dividend-paying portion of the North American energy infrastructure market. The Index measures the performance of companies domiciled in the U.S. or Canada, listed on major U.S. or Canadian stock exchanges, that pay regular cash dividends and meet specific liquidity requirements, as described elsewhere in the prospectus supplement. The Index is calculated by S&P DJI Netherlands B.V. using a modified market capitalization weighted methodology. We refer to the companies included in the Index as the “**Index Constituent Securities**”).

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case- by-case basis. You should not assume that you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount**.”

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of such Redemption Valuation Date).

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

Redemption Amount = Closing Indicative Value — Redemption Fee Amount

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. See “— UBS’s Call Right”.

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment.”

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**,” to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS's Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen (18) calendar days' prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the "**Call Settlement Amount**."

If the amount so calculated is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the "**Call Settlement Date**"). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under "— Market Disruption Event."

The "**Call Measurement Period**" means:

- a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is less than \$150,000,000, the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."; or
- b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is equal to or greater than \$150,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under "— Market Disruption Event."

For the purpose of determining the Call Measurement Period, the "**Market Value**" of the Securities as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMNDSO <Index> on Bloomberg L.P.

The "**Call Valuation Date**" means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}$$

You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee (less any Coupon Amounts you may be entitled to receive), or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS's exercise of its call right.

Security Calculation Agent

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (or “intraday indicative value”), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Coupon Ex-Dates, the Coupon Record Dates, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day and all such other matters as may be specified herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of this prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, or on a Coupon Payment Date on or prior to 12:00 noon (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, any Call Settlement Date or any Coupon Payment Date, as applicable.

All dollar amounts related to determination of the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, the Current Principal Amount and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- c) the Index is not published; or
- d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “**absence of trading**” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.” In addition to the default amount described below, we will also pay the Coupon Amount per Security, if any, with respect to the final Coupon Payment Date, as described above under “— Coupon Payment,” calculated as if the date of acceleration was the last Index Business Day in the Final Measurement Period and the three Index Business Days immediately preceding the date of acceleration were the corresponding Index Business Days in the accelerated Final Measurement Period, with the third Index Business Day immediately preceding the date of acceleration being the accelerated Calculation Date and the accelerated final Coupon Valuation Date, and the Index Business Day immediately preceding the date of acceleration being the relevant final Coupon Valuation Date.

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ,or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation (as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation-compliant index licensed to UBS that the Security Calculation Agent both approves of and determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, Coupon Amounts and the amount payable, if any, at maturity, call or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Security Calculation Agent determines that the conditions described above are met on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a "**Benchmark Event**" will occur if the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in this prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Coupon Amounts, Current Principal Amount, Current Indicative Value (or “intraday indicative value”), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Accrued Dividend, Daily Dividend, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after July 15, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- c) any event that occurs on or after July 15, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Coupon Amount, the Accrued Dividend, the Daily Dividend, if any, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the accompanying prospectus.

Modified Business Day

As described in "Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities" in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under "— Cash Settlement Amount at Maturity," "— UBS's Call Right" and "— Early Redemption at the Option of the Holders" above.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

19. ETRACS Alerian Midstream Energy Total Return Index ETN due October 20, 2050

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

The Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described in the accompanying prospectus. This prospectus supplement summarizes specific financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” in the accompanying prospectus. The terms described here (i.e., in this prospectus supplement) supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.” If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under “— UBS’s Call Right.” If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities will not pay any cash coupon during their term.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is October 20, 2050, which will be the third Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the “**Cash Settlement Amount**”. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Closing Indicative Value.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “—UBS’s Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

- a) On the Initial Trade Date, \$25.00 per Security
- b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the previous calendar day * Index Factor)—Daily Tracking Fee

- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Index Factor**” on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

(i) the Index Closing Level, on such Index Business Day, *divided by*, (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

(i) the Index Closing Level, on such calendar day, *divided by*, (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The “**Residual Factor**” will be calculated as follows:

- a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period
- b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, *divided by* (b) five.

The Residual Factor is intended to approximate the percentage of the Closing Indicative Value that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The “**Index Closing Level**” on any date of determination is the closing level of the Index as reported on the NYSE and Bloomberg; provided, however, that if the closing level of the Index as reported on the NYSE (or any successor) differs from the closing level of the Index as reported on Bloomberg (or any successor), then the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. 358.2653 is the initial Index Closing Level measured on October 20, 2020 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor will be determined using the Intraday Index Value. Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Daily Tracking Fee**” means, as of any date of determination, an amount per Security equal to 0.75% per annum, calculated as follows:

- a) On the Initial Trade Date, \$0.00 per Security;
- b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

$(0.75\% / 365) \times \text{Closing Indicative Value on the immediately preceding calendar day} \times \text{Index Factor}$

- c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

$(0.75\% / 365) \times \text{Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor on the immediately preceding calendar day}$

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- a) \$0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period
- b) On the first day of an applicable one-day Measurement Period:
 - a. At the close of trading on such Index Business Day, the (Closing Indicative Value, on the immediately preceding calendar day, *times* Index Factor, on such Index Business Day), *minus* Daily Tracking Fee.
- c) From and including the first day of an applicable five-day Measurement Period:
 - a. At the close of trading on each Index Business Day, will equal:
 - i. Measurement Period Cash Amount on the immediately preceding calendar day, *plus* (b) (i) Closing Indicative Value, on the calendar day immediately preceding the first day of such Measurement Period, *times* (ii) Index Factor, *divided by* (iii) five), *minus* (c) Daily Tracking Fee
 - ii. On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee
- d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Closing Indicative Value that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Closing Indicative Value, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Closing Indicative Value that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Closing Indicative Value will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$250,000,000, the Calculation Date, subject to adjustments as described under “Specific Terms of the Securities—Market Disruption Event”;

- b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$250,000,000, the five (5) Index Business Days from, and including, the Calculation Date, subject to adjustment as described under “Specific Terms of the Securities— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMTRSO <Index> on Bloomberg L.P.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently S&P Dow Jones Indices.

The “**Calculation Date**” means October 11, 2050 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, a Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The Alerian Midstream Energy Adjusted Net Total Return Index (Bloomberg: “AMNTR Index”) is the adjusted net total return version of the Alerian Midstream Energy Index (Bloomberg: “AMNA Index”). The Index is a broad-based composite of North American energy infrastructure companies who earn the majority of their cash flow from midstream activities involving energy commodities, such as gathering & processing, liquefaction, pipeline transportation, rail terminaling, and storage of energy commodities. The Index is calculated by S&P Dow Jones Indices using a capped, float adjusted, capitalization weighted methodology. We refer to the companies included in the Index as the “Index Constituent Securities”. **The Index is an adjusted net total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities, subject to dividend withholding taxes on distributions made by applicable Canadian Index Constituent Securities. No dividend withholding taxes are applied to distributions made by applicable U.S. Index Constituent Securities.**

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, New York City time, and a confirmation of redemption by no later than 5:00 p.m., New York City time, on the same Index Business Day, provided that you request that we redeem a minimum of 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities. We reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume that you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if a call notice has been issued, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event.”

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount.**”

If the amount calculated above is less than or equal to zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$(0.125\% \times \text{Closing Indicative Value of the Security as of such Redemption Valuation Date}).$

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

Redemption Amount = Closing Indicative Value — Redemption Fee Amount

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS’s Call Right. See – UBS’s Call Right”.

We discuss these matters in the accompanying prospectus under “Description of Debt Securities We May Offer — Redemption and Repayment.”

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon (New York City time) on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation,**” to us via e-mail in the specified form by 5:00 p.m. (New York City time) on the same day. We or our affiliate must acknowledge receipt in order for your confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Valuation Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon (New York City time) on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your notice of redemption after 12:00 noon (New York City time), or your confirmation of redemption after 5:00 p.m. (New York City time), on the Business Day prior to the applicable Redemption Valuation Date, your notice will not be effective, you will not be able to redeem your Securities until another date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

We have the right to redeem all, but not less than all, of the Securities upon not less than eighteen

(18) calendar days' prior notice to the holders of the Securities (which notice may be provided via press release), such redemption to occur on any Business Day that we may specify through and including the Maturity Date. Upon early redemption in the event we exercise this right, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the **"Call Settlement Amount."**

If the amount so calculated is equal to or less than zero, the payment upon exercise of the UBS Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Business Day following the last Index Business Day in the Call Measurement Period (the **"Call Settlement Date"**). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under **"— Market Disruption Event."**

The **"Call Measurement Period"** means:

- a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is less than \$250,000,000, the Call Valuation Date, subject to adjustments as described under **"— Market Disruption Event."**; or
- b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders of its exercise of the UBS Call Right is equal to or greater than \$250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under **" Specific Terms of the Securities—Market Disruption Event."**

For the purpose of determining the Call Measurement Period, the **"Market Value"** of the Securities as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, *times* (ii) the number of Securities outstanding as reported by AMTRSO <Index> on Bloomberg L.P.

The **"Call Valuation Date"** means the date disclosed as such by UBS in its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}$$

You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS's exercise of its call right.

Security Calculation Agent

UBS Securities LLC will act as the "Security Calculation Agent." The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, Current Indicative Value (or "intraday indicative value"), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or Index Business Day and all such other matters as may be specified herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Security, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or call, or upon early redemption, on or prior to 12:00 noon (New York City time) on the Business Day immediately preceding the Maturity Date, any Redemption Date, or any Call Settlement Date, as applicable.

All dollar amounts related to determination of the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the Stated Principal Amount of Securities per holder will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- c) the Index is not published; or
- d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; or
- b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “**absence of trading**” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Redemption Price Upon Optional Tax Redemption

We have the right to redeem the Securities in the circumstances described under “Description of Debt Securities We May Offer — Optional Tax Redemption” in the accompanying prospectus. If we exercise this right, the redemption price of the Securities will be determined by the Security Calculation Agent in a manner reasonably calculated to preserve your and our relative economic positions.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in the attached prospectus under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five (5) Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Business Day after the first Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Business Days after that first Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or

- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or Index Calculation Agent discontinue publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation (as described under “Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks”) occurs with respect to the Index or the Index Sponsor, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation-compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, and the amount payable at maturity, call or upon early redemption and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinue publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a “**Benchmark Event**” will occur if the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Current Indicative Value (or “intraday indicative value”), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after October 20, 2020 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- c) any event that occurs on or after October 20, 2020 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a substitute index, or the value thereof, is changed in a material respect, or if the Index or a successor index is in any other way modified so that the Index Closing Level of the Index or such successor index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor index with reference to the Index or such successor index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based on the Index Closing Level calculated by the Security Calculation Agent, as adjusted. Accordingly, if the method of calculating the Index or a successor index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the Index), which, in turn, causes the Index Closing Level of the Index or such successor index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor index as if it had not been modified (*e.g.*, as if such split had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or call, or upon early redemption will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Business Day

When we refer to a Business Day with respect to the Securities, we mean a day that is a Business Day of the kind described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the accompanying prospectus.

Modified Business Day

As described in “Description of Debt Securities We May Offer — Payment Mechanics for Debt Securities” in the attached prospectus, any payment on the Securities that would otherwise be due on a day that is not a Business Day may instead be paid on the next day that is a Business Day, with the same effect as if paid on the original due date, except as described under “— Cash Settlement Amount at Maturity,” “— UBS’s Call Right” and “— Early Redemption at the Option of the Holders” above.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in the accompanying prospectus.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

20. ETRACS 2x Leveraged MSCI USA ESG Focus TR ETN due September 15, 2061

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below.

The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is September 15, 2061, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “— UBS Call Right.”

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- (a) on the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event.”

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “— Market Disruption Event.”

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor times the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, divided by (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on September 14, 2021 by the Security Calculation Agent. If the closing level of the Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:
(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees
- (c) From and including the first day of a Measurement Period, an amount per Security equal to:
(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event.”

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* (b) the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:
(1) (i) 0.95% times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Index Factor on such calendar day times (iv) the Residual Factor on the immediately preceding calendar day, divided by (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:
 - (1) the Accrued Financing Fee as of the immediately preceding calendar day, plus (2) the Daily Financing Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Residual Factor on the immediately preceding calendar day, divided by (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 1.55% and (b) SOFR on the immediately preceding U.S. Government Securities Business Day. The minimum value of SOFR (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 1.55%.

For example, 0.05% was the SOFR rate on September 10, 2021, which was a U.S. Government Securities

Business Day. The Financing Rate on September 13, 2021 would therefore have been equal to 1.55% + 0.05%, or 1.60%.

“**SOFR**” means, with respect to any U.S. Government Securities Business Day, the daily secured overnight financing rate for such U.S. Government Securities Business Day as provided by the SOFR Administrator on the SOFR Administrator’s Website. If for any U.S. Government Securities Business Day, the SOFR in respect of that day has not been published on the SOFR Administrator’s Website by the time the Security Calculation Agent determines the Financing Rate for the immediately succeeding day and the Security Calculation Agent has not determined that SOFR has been discontinued, then the SOFR for such day will be the secured overnight financing rate as published in respect of the first preceding U.S. Government Securities Business Day for which the secured overnight financing rate was published on the SOFR Administrator’s Website.

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of SOFR).

“**SOFR Administrator’s Website**” means the website of the SOFR Administrator, currently at <http://www.newyorkfed.org>, or any successor source.

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

Information About the Secured Overnight Financing Rate

All disclosures contained herein regarding the secured overnight financing rate, including, without limitation, its make-up and method of calculation, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by the Federal Reserve Bank of New York. The secured overnight financing rate is published by the Federal Reserve Bank of New York, but the Federal Reserve Bank of New York has no obligation to continue to publish, and may discontinue publication of, the secured overnight financing rate. Neither UBS nor any of its affiliates accepts any responsibility for the calculation, maintenance or publication of the secured overnight financing rate or any successor or replacement rate. Information from outside sources including, but not limited to any website referenced in this section, is not incorporated by reference in, and should not be considered part of, this document or any document incorporated herein by reference. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the secured overnight financing rate.

The secured overnight financing rate is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. The Federal Reserve Bank of New York reports that secured overnight financing rate includes all trades in the "Broad General Collateral Rate" (as defined on the Federal Reserve Bank of New York's Website), plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "FICC"), a subsidiary of the Depository Trust and Clearing Corporation ("DTCC"). The secured overnight financing rate is filtered by the Federal Reserve Bank of New York to remove a portion of the foregoing transactions considered to be "Specials", which are repurchases for specific-issue collateral, which take place at cash-lending rates below those for general collateral repurchases because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

The Federal Reserve Bank of New York reports that the secured overnight financing rate is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon ("BNYM") as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC's delivery-versus-payment service. The Federal Reserve Bank of New York notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve Bank of New York notes on its publication page for the secured overnight financing rate that use of the secured overnight financing rate is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the secured overnight financing rate at any time without notice. The secured overnight financing rate is published at approximately 8:00 a.m. (New York time) on each U.S. Government Securities Business Day for trades made on the immediately preceding U.S. Government Securities Business Day. If the Federal Reserve Bank of New York discovers errors in the transaction data provided by either BNYM or DTCC, or in the calculation process, subsequent to the rate publication but on that same day, the secured overnight financing rate and accompanying summary statistics may be republished at approximately 2:30 p.m. (New York time). Similarly, if transaction data from BNYM or DTCC had previously not been available in time for publication, but became available later in the day, the secured overnight financing rate may be republished at approximately 2:30 p.m. (New York time). Rate revisions will only be effected on the same day as initial publication and will only be republished if the change in the rate exceeds one basis point (0.01%), though the Federal Reserve Bank of New York will review this revision threshold periodically and could modify it after any such review. The description of the secured overnight financing rate herein does not purport to be exhaustive.

Because the secured overnight financing rate is published by the Federal Reserve Bank of New York based on data received from other sources, neither UBS nor any of our affiliates has any control over its determination, calculation or publication. There can be no guarantee that the secured overnight financing rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Securities. If the manner in which the secured overnight financing rate is calculated is changed, that change may result in an increase in the Financing Rate on the Securities.

The Federal Reserve Bank of New York began publishing the secured overnight financing rate in April 2018. The Federal Reserve Bank of New York has also published historical indicative secured overnight financing rates going back to August 2014. Investors should not rely on any historical changes or trends in the secured overnight financing rate as an indicator of future changes in the secured overnight financing rate. Also, since the secured overnight financing rate is relatively new, the Securities are not expected to have established trading market when issued, and an established trading market may never develop or may not be very liquid. In addition, if the secured overnight financing rate does not become widely used as a benchmark in securities that are similar or comparable to the Securities, the trading price of the Securities may be lower than those of other securities that are linked to rates that are more widely used. Similarly, market terms for exchange traded notes with financing rates linked to the secured overnight financing rate may evolve over time, and trading prices of the Securities may be lower than those of later-issued secured overnight financing rate-linked exchange traded notes as a result. Investors in the Securities may not be able to sell the Securities at all or may not be able to sell the Securities at prices comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The secured overnight financing rate data is subject to the terms of use posted at newyorkfed.org. The Federal Reserve Bank of New York is not responsible for publication of the secured overnight financing rate rates by UBS, does not sanction or endorse any particular republication, and has no liability for your use. For a more complete discussion of the secured overnight financing rate, see the website of SOFR Administrator's Website.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that SOFR (or any successor base rate) has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the SOFR base rate (or such successor base rate), provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate for exchange traded notes similar to the Securities, then the Security Calculation Agent shall use such successor base rate; and;
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the SOFR base rate (or such successor base rate), in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of SOFR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).
- (c) From and including the first day of a four-day Measurement Period:
 - (i) At the close of trading on each Index Business Day during the four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day times
- (ii) the number of Securities outstanding as reported by ESUSSO <Index> on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently MSCI.

The “**Calculation Date**” means September 7, 2061, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return on the securities is linked to the performance of the MSCI USA ESG Focus Index Gross Total Return USD (Bloomberg: “M2USESG”). The Index is designed to maximize exposure to positive ESG factors while exhibiting risk and return characteristics similar to those of the MSCI USA Index. We refer to the companies included in the Index as the “Index Constituent Securities”. The Index is developed and calculated by MSCI. **The Index is a total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities.**

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to: $(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date})$.

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “— UBS Call Right” and “— Automatic Acceleration Upon Zero Value Event.”

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount.**”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “Market Value” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day times
- (ii) the number of Securities outstanding as reported by ESUSSO <Index> on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

Closing Indicative Value, on last Index

$$\text{Cash Settlement Amount} = \text{Business Day in Call Measurement Period}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “— Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

A Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “— UBS Call Right.”

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (viii) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “**First Permanent Deleveraging Valuation Date**” means:
- i. any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - ii. if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“**DTC**”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be divided by four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “partial” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the SOFR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any

Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a **“Market Disruption Event”** with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation or UK Benchmarks Regulation (each as described under “Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks”) occurs with respect to the Index or the Index Sponsor, if applicable, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a “**Benchmark Event**” may occur if the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, applies to this issuance of Securities, and the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation or UK Benchmarks Regulation, as applicable.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 14, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after September 14, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (e.g., due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (e.g., as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

21. ETRACS 2x Leveraged IFED Invest with the Fed TR Index ETN due September 15, 2061

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is September 15, 2061, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “— UBS Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees
- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “Reset Valuation Date” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “— Market Disruption Event”.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor times the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, divided by (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on September 14, 2021 by the Security Calculation Agent. If the closing level of the Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees
- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, plus (b) the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Index Factor on such calendar day times (iv) the Residual Factor on the immediately preceding calendar day, divided by (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.

- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:
 - (1) the Accrued Financing Fee as of the immediately preceding calendar day, plus (2) the Daily Financing Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 1.55% and (b) SOFR on the immediately preceding U.S. Government Securities Business Day. The minimum value of SOFR (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 1.55%.

For example, 0.05% was the SOFR rate on September 10, 2021, which was a U.S. Government Securities Business Day. The Financing Rate on September 13, 2021 would therefore have been equal to 1.55% + 0.05%, or 1.60%.

“**SOFR**” means, with respect to any U.S. Government Securities Business Day, the daily secured overnight financing rate for such U.S. Government Securities Business Day as provided by the SOFR Administrator on the SOFR Administrator’s Website. If for any U.S. Government Securities Business Day, the SOFR in respect of that day has not been published on the SOFR Administrator’s Website by the time the Security Calculation Agent determines the Financing Rate for the immediately succeeding day and the Security Calculation Agent has not determined that SOFR has been discontinued, then the SOFR for such day will be the secured overnight financing rate as published in respect of the first preceding U.S. Government Securities Business Day for which the secured overnight financing rate was published on the SOFR Administrator’s Website.

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of SOFR).

“**SOFR Administrator’s Website**” means the website of the SOFR Administrator, currently at <http://www.newyorkfed.org>, or any successor source.

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

Information About the Secured Overnight Financing Rate

All disclosures contained herein regarding the secured overnight financing rate, including, without limitation, its make-up and method of calculation, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by the Federal Reserve Bank of New York. The secured overnight financing rate is published by the Federal Reserve Bank of New York, but the Federal Reserve Bank of New York has no obligation to continue to publish, and may discontinue publication of, the secured overnight financing rate. Neither UBS nor any of its affiliates accepts any responsibility for the calculation, maintenance or publication of the secured overnight financing rate or any successor or replacement rate. Information from outside sources including, but not limited to any website referenced in this section, is not incorporated by reference in, and should not be considered part of, this document or any document incorporated herein by reference. UBS has not conducted any independent review or due diligence of any publicly available information with respect to the secured overnight financing rate.

The secured overnight financing rate is published by the Federal Reserve Bank of New York and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities. The Federal Reserve Bank of New York reports that secured overnight financing rate includes all trades in the "Broad General Collateral Rate" (as defined on the Federal Reserve Bank of New York's Website), plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "FICC"), a subsidiary of the Depository Trust and Clearing Corporation ("DTCC"). The secured overnight financing rate is filtered by the Federal Reserve Bank of New York to remove a portion of the foregoing transactions considered to be "Specials", which are repurchases for specific-issue collateral, which take place at cash-lending rates below those for general collateral repurchases because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

The Federal Reserve Bank of New York reports that the secured overnight financing rate is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon ("BNYM") as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC's delivery-versus-payment service. The Federal Reserve Bank of New York notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve Bank of New York notes on its publication page for the secured overnight financing rate that use of the secured overnight financing rate is subject to important limitations and disclaimers, including that the Federal Reserve Bank of New York may alter the methods of calculation, publication schedule, rate revision practices or availability of the secured overnight financing rate at any time without notice. The secured overnight financing rate is published at approximately 8:00 a.m. (New York time) on each U.S. Government Securities Business Day for trades made on the immediately preceding U.S. Government Securities Business Day. If the Federal Reserve Bank of New York discovers errors in the transaction data provided by either BNYM or DTCC, or in the calculation process, subsequent to the rate publication but on that same day, the secured overnight financing rate and accompanying summary statistics may be republished at approximately 2:30 p.m. (New York time). Similarly, if transaction data from BNYM or DTCC had previously not been available in time for publication, but became available later in the day, the secured overnight financing rate may be republished at approximately 2:30 p.m. (New York time). Rate revisions will only be effected on the same day as initial publication and will only be republished if the change in the rate exceeds one basis point (0.01%), though the Federal Reserve Bank of New York will review this revision threshold periodically and could modify it after any such review. The description of the secured overnight financing rate herein does not purport to be exhaustive.

Because the secured overnight financing rate is published by the Federal Reserve Bank of New York based on data received from other sources, neither UBS nor any of our affiliates has any control over its determination, calculation or publication. There can be no guarantee that the secured overnight financing rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Securities. If the manner in which the secured overnight financing rate is calculated is changed, that change may result in an increase in the Financing Rate on the Securities.

The Federal Reserve Bank of New York began publishing the secured overnight financing rate in April 2018. The Federal Reserve Bank of New York has also published historical indicative secured overnight financing rates going back to August 2014. Investors should not rely on any historical changes or trends in the secured overnight financing rate as an indicator of future changes in the secured overnight financing rate. Also, since the secured overnight financing rate is relatively new, the Securities are not expected to have established trading market when issued, and an established trading market may never develop or may not be very liquid. In addition, if the secured overnight financing rate does not become widely used as a benchmark in securities that are similar or comparable to the Securities, the trading price of the Securities may be lower than those of other securities that are linked to rates that are more widely used. Similarly, market terms for exchange traded notes with financing rates linked to the secured overnight financing rate may evolve over time, and trading prices of the Securities may be lower than those of later-issued secured overnight financing rate-linked exchange traded notes as a result. Investors in the Securities may not be able to sell the Securities at all or may not be able to sell the Securities at prices comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The Federal Reserve Bank of New York is not responsible for publication of the secured overnight financing rate rates by UBS, does not sanction or endorse any particular republication, and has no liability for your use. For a more complete discussion of the secured overnight financing rate, see the website of SOFR Administrator's Website.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that SOFR (or any successor base rate) has been discontinued, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to the SOFR base rate (or such successor base rate), provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate for exchange traded notes similar to the Securities, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the SOFR base rate (or such successor base rate), in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of SOFR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).
- (c) From and including the first day of a four-day Measurement Period:
 - (i) At the close of trading on each Index Business Day during the four-day Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported by FEDLSO <Index> on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which is currently Indxx LLC.

The “**Calculation Date**” means September 7, 2061, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The IFED Large-Cap US Equity Index Total Return (Bloomberg: “IFEDLT”) is the total return version of the IFED Large-Cap US Equity Index (Bloomberg: “IFEDL”). The Index tracks large-cap U.S. equities that are determined by Economic Index Associates, LLC (“EIA” or the “Index Sponsor”) to be best positioned to benefit from the prevailing monetary environment. We refer to the companies included in the Index as the “Index Constituent Securities”. The Index is developed by EIA and calculated by Indxx LLC (“Indxx”). **The Index is a total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities.**

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount.**” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value. The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “— UBS Call Right” and “— Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “Redemption Confirmation”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount.**”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported by FEDLSO <Index> on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “— Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

A Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (viii) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event” beginning on page S-84; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “**First Permanent Deleveraging Valuation Date**” means:
 - (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“**DTC**”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be divided by four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “partial” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the SOFR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation or UK Benchmarks Regulation (each as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, if applicable, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a “**Benchmark Event**” may occur if the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, applies to this issuance of Securities, and the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation or UK Benchmarks Regulation, as applicable. In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 14, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (c) any event that occurs on or after September 14, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (e.g., due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (e.g., as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in this prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of this prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

22. ETRACS IFED Invest with the Fed TR Index ETN due September 15, 2061

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 12, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption. Instead, at maturity, you will receive a cash payment the amount of which will vary depending on the performance and path of the Index calculated in accordance with the formula set forth below and will be reduced by the Daily Tracking Fee as of the last Index Business Day in the applicable Measurement Period or Redemption Valuation Date.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment on the Redemption Date equal to the Redemption Amount as described below under “— Early Redemption at the Option of the Holders.” If the amount so calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

If we elect to exercise our call right to redeem all of the Securities, subject to compliance with the procedures set forth below, for each Security you will receive a cash payment on the Call Settlement Date equal to the Call Settlement Amount, as described below under “— UBS Call Right.” If the amount so calculated is equal to or less than zero, the Call Settlement Amount will be zero and you will not receive a cash payment.

The Securities will not pay any cash coupon during their term.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is September 15, 2061, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called or redeemed, you will receive at maturity a cash payment equal to the Closing Indicative Value on the last day of the Final Measurement Period. We refer to this payment as the “**Cash Settlement Amount**”. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}}$$

You may lose all or a substantial portion of your investment at maturity. The Securities are fully exposed to any decline in the level of the Index. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index (as measured by the Index Closing Level at the end of the Final Measurement Period, as compared to the initial Index Closing Level or the Index level at the time you purchase the Securities, as applicable) does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose all or a substantial portion of your investment at maturity. The Daily Tracking Fee also takes into account the performance of the Index, as measured by the Closing Indicative Value.

The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “— UBS Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The “**Closing Indicative Value**” represents the dollar value per Security that an investor would receive on any day if it redeemed the Security on such day (excluding any Redemption Fee Amount). The Closing Indicative Value per Security will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security
- (b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the previous calendar day * Index Factor)—Daily Tracking Fee

- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) + Measurement Period Cash Amount

The minimum value of the Closing Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Index Factor**” on any Index Business Day prior to but excluding the first day of an applicable Measurement Period, will equal:

- (i) the Index Closing Level, on such Index Business Day, divided by, (ii) the Index Closing Level, on the immediately preceding Index Business Day.

From and including the first day of an applicable Measurement Period, the Index Factor will equal:

- (i) the Index Closing Level, on such calendar day, divided by, (ii) the Index Closing Level on the calendar day immediately preceding the first day of such Measurement Period.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the immediately preceding Index Business Day. The Index Factor will therefore equal one (1) on any calendar day that is not an Index Business Day and is prior to the first Index Business Day of a five-day Measurement Period.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, prior to but excluding the first day of an applicable Measurement Period
- (b) From and including the first day of an applicable five-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such five-day Measurement Period, divided by (b) five.

The Residual Factor is intended to approximate the percentage of the Closing Indicative Value that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas.

For example, on the first Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (4/5), on the second Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (3/5), on the third Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (2/5), on the fourth Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal (1/5) and on the last Index Business Day in an applicable five-day Measurement Period, the Residual Factor will equal zero.

On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. If the closing level of the Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “Index Closing Level” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. 23572.14 is the initial Index Closing Level measured on September 14, 2021 (the Initial Trade Date), as determined by the Security Calculation Agent.

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level from the last Index Business Day prior to such calendar day.

“**Measurement Period**” means the Final Measurement Period or Call Measurement Period, as applicable.

The “**Current Indicative Value**” or “intraday indicative value”, as determined by the Security Calculation Agent, means the Closing Indicative Value per Security calculated on an intraday basis on any Index Business Day.

For the purposes of calculating the Current Indicative Value, the Index Factor will be determined using the Intraday Index Value. Additionally, from and including the first day of an applicable Measurement Period, the Current Indicative Value will be calculated using (i) the Measurement Period Cash Amount from the immediately preceding calendar day, and (ii) the Residual Factor from the immediately preceding calendar day.

The minimum value of the Current Indicative Value (or intraday indicative value) on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (or intraday indicative value).

If the Securities undergo a split or reverse split, the Current Indicative Value (or intraday indicative value) will be adjusted accordingly.

The “**Daily Tracking Fee**” means, as of any date of determination, an amount per Security equal to 0.45% per annum, calculated as follows:

- (a) On the Initial Trade Date, \$0.00 per Security;
- (b) On any subsequent calendar day, prior to but excluding the first day of an applicable Measurement Period, an amount per Security equal to:

$$(0.45\% / 365) \times \text{Closing Indicative Value on the immediately preceding calendar day} \times \text{Index Factor}$$

- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

$$(0.45\% / 365) \times \text{Closing Indicative Value on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor on the immediately preceding calendar day}$$

The minimum value of the Daily Tracking Fee on any calendar day will be zero.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00, on any calendar day prior to but excluding the first day of an applicable Measurement Period
- (b) On the first day of an applicable one-day Measurement Period:
 - (i) At the close of trading on such Index Business Day, the (Closing Indicative Value, on the immediately preceding calendar day, times Index Factor, on such Index Business Day), minus Daily Tracking Fee.
- (c) From and including the first day of an applicable five-day Measurement Period:
 - (i) At the close of trading on each Index Business Day, will equal:

$$\text{(a) Measurement Period Cash Amount on the immediately preceding calendar day, plus (b) ((i) Closing Indicative Value, on the calendar day immediately preceding the first day of such Measurement Period, times (ii) Index Factor, divided by (iii) five), minus (c) Daily Tracking Fee.}$$

(ii) On any calendar day that is not an Index Business Day, will equal the Measurement Period Cash Amount on the immediately preceding Index Business Day, *minus* Daily Tracking Fee.

(d) On any calendar day after the last Index Business Day of an applicable Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

The minimum value of the Measurement Period Cash Amount on any calendar day will be zero.

The Measurement Period Cash Amount represents the portion of the Closing Indicative Value that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business day during a five-day Measurement Period, approximately 20% of the Closing Indicative Value, on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash. After the close of trading on the final Index Business Day of an applicable five-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Closing Indicative Value that was deemed converted to cash across the five-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Closing Indicative Value will be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$250,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$250,000,000, the five (5) Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “Market Value” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day, times
- (ii) the number of Securities outstanding as reported by IFEDSO <Index> on Bloomberg.

The “Index Calculation Agent” means the entity that calculates and publishes the level of the Index, which is currently Indxx LLC.

The “**Calculation Date**” means September 6, 2061 unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Business Day**” means any day that is not a Saturday, Sunday or a day on which banking institutions in The City of New York, generally, are authorized or obligated by law, regulation or executive order to close.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The IFED Large-Cap US Equity Index Total Return (Bloomberg: “IFEDLT”) is the total return version of the IFED Large-Cap US Equity Index (Bloomberg: “IFEDL”). The Index tracks large-cap U.S. equities that are determined by Economic Index Associates, LLC (“EIA” or the “**Index Sponsor**”) to be best positioned to benefit from the prevailing monetary environment. We refer to the companies included in the Index as the “Index Constituent Securities”. **The Index is developed by EIA and calculated by Indxx LLC (“Indxx”). The Index is a total return index and the Index level reflects the notional reinvestment of the cash distributions from its constituent securities.**

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event,” you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon, and a confirmation of redemption by no later than 5:00 p.m., on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time-to-time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume that you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The First Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures,” for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$(0.125\% \times \text{Closing Indicative Value of the Security as of such Redemption Valuation Date})$.

We reserve the right from time to time to reduce or waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount will reduce your Redemption Amount. If the level of the Index does not increase by an amount sufficient to offset the combined negative effect of the Daily Tracking Fee and the Redemption Fee Amount, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to the UBS Call Right. See – UBS Call Right”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**,” to us via e-mail in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to reduce or waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which notice may be provided via press release), not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event.”

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$250,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; or
- (b) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$250,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Call Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right, will equal:

- (a) the Closing Indicative Value as of such Index Business Day, times (ii) the number of Securities outstanding as reported by IFEDSO <Index> on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Call Settlement Amount} = \frac{\text{Closing Indicative Value on last Index Business Day in Call Measurement Period}}{\text{Closing Indicative Value on last Index Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment upon a call. The negative effect of the Daily Tracking Fee will reduce your final payment. If the level of the Index does not increase by an amount sufficient to offset the negative effect of the Daily Tracking Fee, or if the final Index level is less than the initial Index Closing Level (or the Index level at the time you purchase the Securities, as applicable), you may lose some or all of your investment upon UBS’s exercise of its call right.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split, and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split. The record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Closing Indicative Value and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“**DTC**”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Closing Indicative Value on such record date will be divided by four to reflect the 4:1 split. The adjusted Closing Indicative Value will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Closing Indicative Value and other relevant terms of the Securities will be adjusted accordingly, and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “**partials**”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Closing Indicative Value of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Closing Indicative Value will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “**partial**” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the “Security Calculation Agent.” The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, Current Indicative Value (which we also refer to as the “intraday indicative value”), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Index Factor, the Residual Factor, the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, if applicable and the Call Settlement Amount, if any, that we will pay you in the event that UBS calls the Securities, and whether any day is a Business Day or an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date, or any Call Settlement Date.

All dollar amounts related to determination of the Daily Tracking Fee, the Redemption Amount and Redemption Fee Amount, if any, per security, the Call Settlement Amount, if any, per security, and the Cash Settlement Amount, if any, per security, will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a five-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the five-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4, June 5 and June 6, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day, June 6th the fourth Index Business Day and the next Index Business Day after June 6th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a five-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or the Calculation Date (in the event that the Final Measurement Period is the Calculation Date), the Index Closing Level for such Redemption Valuation Date, Call Valuation Date or Calculation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date) or Calculation Date (in the event that the Final Measurement Period is the Calculation Date) occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date or Calculation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date or Calculation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging”.

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “**absence of trading**” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent, in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, plus
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or

- every quotation of that kind obtained is objected to within five (5) Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five (5) Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of, Adjustments to or Benchmark Event Affecting the Index or Termination of Our License Agreement with the Index Sponsor; Alteration of Method of Calculation

If (i) the Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) a Benchmark Event (as described below) under the EU Benchmarks Regulation or UK Benchmarks Regulation (each as described under "Risk Factors – The Securities are linked to the Index and are subject to certain regulatory risks") occurs with respect to the Index or the Index Sponsor, if applicable, (iii) our license agreement with the Index Sponsor terminates or (iv) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an EU Benchmarks Regulation compliant index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination, and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto to be furnished to the trustee, to us and to the holders of the Securities.

If the Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

For purposes of the above, a "**Benchmark Event**" may occur if the EU Benchmarks Regulation and/or UK Benchmarks Regulation, as applicable, applies to this issuance of Securities, and the applicable registration for the Index or Index Sponsor is not effective or has been suspended or withdrawn by the relevant authority with the effect that the use of the Index or the Index Sponsor is not permitted under the EU Benchmarks Regulation or UK Benchmarks Regulation, as applicable.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, including the Current Indicative Value (or “intraday indicative value”), Closing Indicative Value, Index Factor, Residual Factor, Daily Tracking Fee, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity, call, upon early redemption by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after September 14, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after September 14, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Daily Tracking Fee, the Redemption Fee Amount, if any, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, upon early redemption, if applicable, the Call Settlement Amount, if any, that we will pay you in the event UBS calls the Securities, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (e.g., as if such rebasing had not occurred). In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue the Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities and will have the same CUSIP number and will trade interchangeably with the Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

23. ETRACS 2x Leveraged US Value Factor TR ETN due February 9, 2051

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the “Securities” should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

Please note that the information about the offering prices and the net proceeds to UBS on the front cover of the prospectus supplement relates only to the initial sale of the Securities. If you have purchased the Securities in a secondary market transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right” beginning on page S-117.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$
- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Measurement Period Cash Amount}$
However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event” beginning on page S-118.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and

- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “—Market Disruption Event” beginning on page S-122.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, divided by (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees
- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, plus the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Index Factor on such calendar day times (iv) the Residual Factor on the immediately preceding calendar day, divided by (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:
 - (1) the Accrued Financing Fee as of the immediately preceding calendar day, plus (2) the Daily Financing Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day \times Index Factor, on such Index Business Day).

- (c) From and including the first day of a four-day Measurement Period:
- (i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period \times 0.25 \times Index Factor, on such Index Business Day); and
- (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| <u>Title of Securities</u> | <u>Index Calculation Agent</u> |
|--|--------------------------------|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The “**Calculation Date**” means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day times (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “**First Permanent Deleveraging Valuation Date**” means:
 - (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“**DTC**”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “*partials*”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “*partial*” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their *partials* on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

24. ETRACS 2x Leveraged US Growth Factor TR ETN due February 9, 2051

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the “Securities” should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right”.

The “Stated Principal Amount” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “Closing Indicative Value” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value. If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$
 The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The “**Reset Valuation Date**” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “— Market Disruption Event”.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day \times Index Factor, calculated using the Intraday Index Value) – Accrued Fees

- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period \times Index Factor, calculated using the Intraday Index Value \times Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:
- (1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:
- (1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).
- (c) From and including the first day of a four-day Measurement Period:
 - (i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.

- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first

day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| <u>Title of Securities</u> | <u>Index Calculation Agent</u> |
|--|---------------------------------------|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The “**Calculation Date**” means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the “Index Constituent Securities” for such Index.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

(0.125% × Closing Indicative Value of the Security as of the Redemption Valuation Date).

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

Closing Indicative Value as of the Redemption Valuation Date – Redemption Fee Amount.

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption which is attached;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “Loss Rebalancing Event” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “**First Permanent Deleveraging Valuation Date**” means:
 - (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“DTC”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “partial” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

25. ETRACS 2x Leveraged US Size Factor TR ETN due February 9, 2051

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the “Securities” should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

Please note that the information about the offering prices and the net proceeds to UBS on the front cover of the prospectus supplement relates only to the initial sale of the Securities. If you have purchased the Securities in a secondary market transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees
- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The “**Reset Valuation Date**” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “—Market Disruption Event”.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees
- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.

- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:
- (1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
- (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).
- (c) From and including the first day of a four-day Measurement Period:
 - (i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|---|--------------------------------|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |

| Title of Securities | Index Calculation Agent |
|--|--------------------------------|
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The “**Calculation Date**” means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the “Index Constituent Securities” for such Index.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “**First Permanent Deleveraging Valuation Date**” means:
 - (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“**DTC**”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “*partials*”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “*partial*” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their *partials* on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a **“Market Disruption Event”** with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or

- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the "**Substitute Index**"), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An "**Index Replacement Event**" means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties' ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference to the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

26. ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN due February 9, 2051

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the “Securities” should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right”.

The “Stated Principal Amount” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “Closing Indicative Value” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

$(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$

- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

$(\text{Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Measurement Period Cash Amount}$

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value. If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The “**Reset Valuation Date**” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “— Market Disruption Event”.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day \times Index Factor, calculated using the Intraday Index Value) – Accrued Fees

- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period \times Index Factor, calculated using the Intraday Index Value \times Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day. However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:
- (1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:
- (1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:
 - At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).
- (c) From and including the first day of a four-day Measurement Period:
 - (i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period × 0.25 × Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| <u>Title of Securities</u> | <u>Index Calculation Agent</u> |
|--|---------------------------------------|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The “**Calculation Date**” means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the “Index Constituent Securities” for such Index.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date})$.

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}$.

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;

- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and

- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “First Permanent Deleveraging Valuation Date” means:
- (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “Second Permanent Deleveraging Valuation Date” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“**DTC**”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “partial” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a **“Market Disruption Event”** with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys' fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody's Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a "**successor index**"), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or

on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or

- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index),

which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, "reopen" or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to "Description of Debt Securities We May Offer — Amounts That We May Issue" in "Medium-Term Notes, Series B" above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC's settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

27. ETRACS 2x Leveraged MSCI US Quality Factor TR ETN due February 9, 2051

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the “Securities” should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right”.

The “Stated Principal Amount” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “Closing Indicative Value” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

$(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$

- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

$(\text{Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Measurement Period Cash Amount}$

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value. If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset. The “**Reset Valuation Date**” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “—Market Disruption Event”.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day \times Index Factor, calculated using the Intraday Index Value) – Accrued Fees
- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period \times Index Factor, calculated using the Intraday Index Value \times Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:

At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).

- (c) From and including the first day of a four-day Measurement Period:

- (i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period \times 0.25 \times Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first

day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| <u>Title of Securities</u> | <u>Index Calculation Agent</u> |
|--|---------------------------------------|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The “**Calculation Date**” means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the “Index Constituent Securities” for such Index.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “Permanent Deleveraging Event” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “Excluded Day” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“Permanent Deleveraging Valuation Dates” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “First Permanent Deleveraging Valuation Date” means:
 - (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “Second Permanent Deleveraging Valuation Date” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“DTC”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “partial” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

28. ETRACS 2x Leveraged US Dividend Factor TR ETN due February 9, 2051

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the “Securities” should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “Closing Indicative Value” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount on the immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$
- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:
 $(\text{Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period} \times \text{Index Factor} \times \text{Residual Factor}) - \text{Accrued Fees} + \text{Measurement Period Cash Amount}$
However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value. If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “Current Principal Amount” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “Reset Valuation Date” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “—Market Disruption Event”.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees
- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly.

The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, *plus* the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Index Factor on such calendar day *times* (iv) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly.

The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry- accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:
 - At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).
- (c) From and including the first day of a four-day Measurement Period:

- (i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period \times 0.25 \times Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|--|--------------------------------|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The “**Calculation Date**” means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of this prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the “Index Constituent Securities” for such Index.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

(i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “**First Permanent Deleveraging Valuation Date**” means:
 - (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“DTC”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “partial” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

29. ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN due February 9, 2051

Specific Terms of the Securities

In this section, references to “holders” mean those who own the Securities registered in their own names, on the books that we or the trustee maintains for this purpose, and not those who own beneficial interests in the Securities registered in street name or in the Securities issued in book-entry form through The Depository Trust Company (“DTC”) or another depository. Owners of beneficial interests in the Securities should read the section entitled “Legal Ownership and Book-Entry Issuance” under “Medium-Term Notes, Series B” above.

Each of the seven series of Securities offered by the prospectus supplement is separate and independent of each other series of Securities. Apart from the applicable Index, however, all of the terms of each series of Securities are the same. Since each series references a different Index, all calculations and adjustments and related events with respect to each series are independent of calculations and adjustments and related events for each other series of Securities, and we may exercise our call right as well as our right to initiate a split or a reverse split independently for each series. The following discussion therefore applies independently to each series of Securities offered by the prospectus supplement and, except as the context may otherwise require, the defined terms refer separately to each series. References to the “Securities” should be understood as references to a single series of Securities and the defined terms should be understood in reference only to that series of Securities.

These Securities are part of a series of debt securities entitled “Medium-Term Notes, Series B” that we may issue, from time to time, under the indenture more particularly described under “Medium-Term Notes, Series B” above. This section summarizes general financial and other terms that apply to the Securities. Terms that apply generally to all Medium-Term Notes, Series B are described in “Description of Debt Securities We May Offer” under “Medium-Term Notes, Series B” above. The terms described here supplement those described in “Medium-Term Notes, Series B” above and, if the terms described here are inconsistent with those described there, the terms described here are controlling.

The Securities are part of a single series of senior debt securities issued under our indenture, dated as of June 2, 2015 between us and U.S. Bank Trust National Association, as trustee.

Please note that the information about the offering prices and the net proceeds to UBS on the front cover of the prospectus supplement relates only to the initial sale of the Securities. If you have purchased the Securities in a secondary market transaction after the initial sale, information about the price and date of sale to you will be provided in a separate confirmation of sale.

We describe the terms of the Securities in more detail below. The Stated Principal Amount of each Security is \$25.00.

The Securities do not guarantee any return of principal at, or prior to, maturity or upon early redemption or call. Instead, at maturity, you will receive a cash payment per Security the amount of which will vary depending on the performance and path of the Index and will be reduced by the Accrued Fees as of the last Index Business Day in the Final Measurement Period as described under “— Cash Settlement Amount at Maturity.” If the amount as calculated is equal to or less than zero, the Cash Settlement Amount will be zero and you will not receive a cash payment.

If you exercise your right to have us redeem your Securities, subject to compliance with the redemption procedures, for each Security you will receive a cash payment per Security on the relevant Redemption Date equal to the Redemption Amount as described under “— Early Redemption at the Option of the Holders.” If the amount as calculated is equal to or less than zero, the Redemption Amount will be zero and you will not receive a cash payment.

Cash Settlement Amount at Maturity

The “**Maturity Date**” is February 9, 2051, which will be the third Index Business Day following the last Index Business Day in the Final Measurement Period, subject to adjustment as described below under “— Market Disruption Event.”

For each Security, unless earlier called, redeemed or accelerated upon Zero Value Event, you will receive at maturity a cash payment equal to its Closing Indicative Value on the last Index Business Day in the applicable Measurement Period. We refer to this cash payment as the “**Cash Settlement Amount**.” If the amount so calculated is equal to or less than zero, the payment will be zero.

The following graphic illustrates the formula to determine the Cash Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \text{Closing Indicative Value, on last Index Business Day in Final Measurement Period}$$

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, you may lose all or a substantial portion of your investment at maturity. The occurrence of Loss Rebalancing Events will result in more frequent than quarterly compounding.

UBS may call the Securities prior to the Maturity Date pursuant to its Call Right. If the Securities are called by UBS, the Call Settlement Amount may be zero and you may lose all or a substantial portion of your investment. See “Specific Terms of the Securities — UBS’s Call Right”.

The “**Stated Principal Amount**” of each Security is \$25.00. The Securities may be issued and sold over time at then-current market prices which may be significantly higher or lower than the Stated Principal Amount. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.

The Closing Indicative Value represents the dollar value per Security that an investor would receive on any day if it redeemed the Security that day (without giving effect to any Redemption Fee Amount).

The “**Closing Indicative Value**” per Security, will be calculated as follows:

- (a) On the Initial Trade Date, \$25.00 per Security.
- (b) On any other calendar day, prior to the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the immediately preceding calendar day × Index Factor) – Accrued Fees

- (c) From and including the first day of an applicable Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor × Residual Factor) – Accrued Fees + Measurement Period Cash Amount

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Closing Indicative Value for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.

- (d) The minimum value of the Closing Indicative Value on any calendar day will be zero.

If a Zero Value Event occurs, the Closing Indicative Value will be equal to zero on the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “— Automatic Acceleration Upon Zero Value Event”.

The actual trading price of the Securities in the secondary market may vary significantly from their Closing Indicative Value.

If the Securities undergo a split or reverse split, the Closing Indicative Value will be adjusted accordingly.

The “**Current Principal Amount**” represents the unleveraged notional investment in the Index Constituent Securities per Security at the close of trading on any Reset Valuation Date. The notional financing amount per Security in order to generate the leveraged returns would approximately equal the Current Principal Amount at the close of trading on any Reset Valuation Date. If a Permanent Deleveraging Event occurs, the leverage of your Securities will be permanently reset to 1.0 and the notional financing amount will be equal to zero for the remaining term of the Securities. If a Zero Value Event occurs prior to your Securities permanently resetting to 1.0 at the end of the Second Permanent Deleveraging Valuation Date, then your Securities will be automatically accelerated and mandatorily redeemed and you will lose your entire investment.

The Current Principal Amount per Security, will be calculated as follows:

- (a) From and including the Initial Trade Date to and excluding the first Reset Valuation Date, \$25.00 per Security.
- (b) At the close of trading on each Reset Valuation Date after the Initial Trade Date, the Current Principal Amount of the Securities will be reset as follows:

$\text{New Current Principal Amount} = (\text{Current Principal Amount on immediately preceding calendar day} \times \text{Index Factor}) - \text{Accrued Fees}$

The Current Principal Amount will not change until the first Reset Valuation Date.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, such day will not be a valid Reset Valuation Date.

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

At the close of trading on each Reset Valuation Date, the Current Principal Amount is reset.

The “**Reset Valuation Date**” means:

- (a) Any calendar day up to and including the Second Permanent Deleveraging Valuation Date, that is either: (i) the Initial Trade Date, (ii) a Quarterly Reset Valuation Date, (iii) a Loss Rebalancing Valuation Date (iv) the First Permanent Deleveraging Valuation Date, or (v) the Second Permanent Deleveraging Valuation Date; and
- (b) Any calendar day following the Second Permanent Deleveraging Valuation Date.

The valuation dates are defined below.

If a day that would otherwise be a Reset Valuation Date occurs on or after the first day of a Measurement Period, it will not be a valid Reset Valuation Date and the Last Reset Index Closing Level will remain the same.

The “**Quarterly Reset Valuation Date**” is the second Wednesday of January, April, July and October of each calendar year during the term of the Securities (other than an Excluded Day, as defined below), subject to adjustment as described under “—Market Disruption Event”.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding the first day of an applicable Measurement Period, and any calendar day thereafter, and (ii) any calendar day after the Second Permanent Deleveraging Valuation Date.

The “**Index Factor**” is: $1 + (\text{Leverage Factor} \times \text{Index Performance Ratio})$.

The Index Factor represents the leveraged percentage change in the Index level since the Last Reset Index Closing Level. The Index Factor *times* the applicable Current Principal Amount on the preceding calendar day represents the current value of the unleveraged notional amount per Security that is deemed invested in the Index on any calendar day. This does not reflect the Redemption Amount that an investor would receive upon early redemption on such calendar day.

The “**Residual Factor**” will be calculated as follows:

- (a) 1.0 on any calendar day, to but excluding the first day of an applicable Measurement Period.
- (b) From and including the first day of an applicable four-day Measurement Period, (a) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such four-day Measurement Period, *divided by* (b) four.

For example, on the first Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 3/4, on the second Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 2/4, on the third Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal 1/4 and on the last Index Business Day in an applicable four-day Measurement Period, the Residual Factor will equal zero.

- (c) On any calendar day from and including the last Index Business Day of an applicable Measurement Period, the Residual Factor will be equal to zero.

The Residual Factor is intended to approximate the percentage of the Current Principal Amount that is tracking the Index on any given day. The Residual Factor is relevant only during an applicable Measurement Period but otherwise is not a component of the Closing Indicative Value or Current Indicative Value formulas. At the close of trading on each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount and the corresponding amount of financing will be deemed converted to cash.

The “**Leverage Factor**” on any calendar day until the occurrence of a Permanent Deleveraging Event and the close of trading on the Second Permanent Deleveraging Valuation Date, will equal 2.0. If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Leverage Factor will equal 1.0.

The “**Index Performance Ratio**” on any Index Business Day will be equal to:

$$\frac{\text{Index Closing Level} - \text{Last Reset Index Closing Level}}{\text{Last Reset Index Closing Level}}$$

On any calendar day that is not an Index Business Day, the Index Closing Level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

The “**Last Reset Index Closing Level**” is the Index Closing Level on the most recent Reset Valuation Date prior to such day. The initial Last Reset Index Closing Level is the Index Closing Level on the Initial Trade Date, as reported by Bloomberg and Reuters.

The “**Index Closing Level**” on any date of determination is the closing level of the Index, as reported on Bloomberg and Reuters on such day; however, if the closing level of the Index as reported on Bloomberg (or any successor) differs from the closing level of the Index as reported on Reuters (or any successor), the Index Closing Level will be the closing level of the Index as calculated by the Index Calculation Agent. The initial Index Closing Level (which is also the first Last Reset Index Closing Level) was determined on February 4, 2021 by the Security Calculation Agent. If the closing level of an Index, as reported on Bloomberg and Reuters for any Index Business Day, is manifestly incorrect, the “**Index Closing Level**” for such Index Business Day shall be the closing level of the Index as determined by the Security Calculation Agent. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates.

On any calendar day that is not an Index Business Day, the Index Closing level will be equal to the Index Closing Level on the Index Business Day immediately preceding such calendar day.

“**Measurement Period**” means the Final Measurement Period or, if UBS exercises its Call Right, the Call Measurement Period.

The “**Current Indicative Value**” or “**intraday indicative value**”, as determined by the Security Calculation Agent, is an amount per Security, on an intraday basis on any Index Business Day, equal to:

- (a) On the Initial Trade Date, \$25.00.
- (b) On any other calendar day prior to the first day of a Measurement Period:

(Current Principal Amount on the immediately preceding calendar day × Index Factor, calculated using the Intraday Index Value) – Accrued Fees
- (c) From and including the first day of a Measurement Period, an amount per Security equal to:

(Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period × Index Factor, calculated using the Intraday Index Value × Residual Factor on the immediately preceding calendar day) – Accrued Fees + Measurement Period Cash Amount, from the immediately preceding calendar day

However, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is less than or equal to the Measurement Period Cash Amount from the immediately preceding calendar day, the Current Indicative Value for the remainder of that day and all subsequent days will be fixed to be equal to the Measurement Period Cash Amount from the immediately preceding calendar day.
- (d) The minimum value of the Current Indicative Value on any calendar day will be zero.

The actual trading price of the Securities in the secondary market may vary significantly from their Current Indicative Value (intraday indicative value).

If a Zero Value Event occurs, the Current Indicative Value (intraday indicative value) will be equal to zero for the remainder of the day it occurs and on all future calendar days. Upon the occurrence of a Zero Value Event, investors will lose their entire investment. You will not benefit from any future exposure to the Index after the occurrence of a Zero Value Event. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

If the Securities undergo a split or reverse split, the Current Indicative Value (intraday indicative value) will be adjusted accordingly.

The “**Accrued Fees**” as of any date of determination means the Accrued Tracking Fee + the Accrued Financing Fee.

If the Securities undergo a split or reverse split, the Accrued Fees will be adjusted accordingly. The Securities are subject to an “**Accrued Tracking Fee**” per Security, calculated as follows:

- (a) On the Initial Trade Date, the Accrued Tracking Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Tracking Fee is equal to: (a) the Accrued Tracking Fee as of the immediately preceding calendar day, plus the Daily Tracking Fee on such calendar day.
- (c) On the calendar day after each Reset Valuation Date, the Accrued Tracking Fee is reset to be equal to the Daily Tracking Fee on such calendar day.

The “**Daily Tracking Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Tracking Fee is zero.
- (b) On any subsequent calendar day, the Daily Tracking Fee is equal to:

(1) (i) 0.95% times (ii) the Current Principal Amount on the immediately preceding calendar day times (iii) the Index Factor on such calendar day times (iv) the Residual Factor on the immediately preceding calendar day, divided by (2) 365.
- (c) The minimum value of the Daily Tracking Fee on any calendar day will be zero.

The Daily Tracking Fee represents the investor fees calculated each day on the current value of the unleveraged notional amount invested in the Index per Security. These charges accrue and compound during the applicable period, and will reduce any amount you are entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Tracking Fee will be adjusted accordingly. The Securities are subject to an “**Accrued Financing Fee**” per Security calculated as follows:

- (a) On the Initial Trade Date, the Accrued Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Accrued Financing Fee is equal to:

(1) the Accrued Financing Fee as of the immediately preceding calendar day, *plus* (2) the Daily Financing Fee on such calendar day.

- (c) On the calendar day after each Reset Valuation Date, the Accrued Financing Fee is reset to be equal to the Daily Financing Fee on such calendar day.
- (d) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Accrued Financing Fee will be equal to zero.

The “**Daily Financing Fee**” is an amount per Security calculated as follows:

- (a) On the Initial Trade Date, the Daily Financing Fee is equal to zero.
- (b) On any subsequent calendar day, the Daily Financing Fee is equal to:
 - (1) (i) the Financing Rate on such calendar day *times* (ii) the Current Principal Amount on the immediately preceding calendar day *times* (iii) the Residual Factor on the immediately preceding calendar day, *divided by* (2) 360.
- (c) If a Permanent Deleveraging Event occurs, then on any calendar day following the Second Permanent Deleveraging Valuation Date, the Daily Financing Fee will be equal to zero.
- (d) The minimum value of the Daily Financing Fee on any calendar day will be zero.

The Daily Financing Fee seeks to compensate UBS for providing investors with a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Index. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity or upon early redemption or call.

If the Securities undergo a split or reverse split, the Daily Financing Fee will be adjusted accordingly.

The “**Financing Rate**” will equal the sum of (a) 0.95% and (b) the London interbank offered rate (ICE LIBOR) for three-month deposits in U.S. Dollars, which is displayed on Reuters page “LIBOR01” (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Security Calculation Agent) (“**LIBOR**”) (or any successor base rate, as described below), as of 11:00 a.m., London time, on the immediately preceding London Business Day. The minimum value of the three-month U.S. Dollar LIBOR rate (or any successor base rate, as described below) used on any calendar day will be zero. The minimum Financing Rate at any time will be 0.95%

For example, 0.21775% was the three-month U.S. Dollar LIBOR rate on January 21, 2021, which was a London Business Day. The Financing Rate on January 21, 2021 would have been equal to 0.95% + 0.21775%, or 1.16775%.

Notwithstanding the foregoing:

- If the Security Calculation Agent determines on the relevant determination date that the London interbank offered rate for deposits in U.S. dollars having an index maturity of three months in amounts of at least \$1,000,000 has been discontinued or is no longer representative of the underlying market or economic reality, then the Security Calculation Agent will use a substitute or successor base rate that it has determined in its sole discretion is most comparable to such London interbank offered rate, provided that if the Security Calculation Agent determines there is an industry-accepted successor base rate, then the Security Calculation Agent shall use such successor base rate; and
- If the Security Calculation Agent has determined a substitute or successor base rate in accordance with the foregoing, the Security Calculation Agent in its sole discretion may determine the business day convention, definition of business day and any other relevant methodology for calculating such substitute or successor base rate, including any adjustment factor needed to make such substitute or successor base rate comparable to the LIBOR base rate, in a manner that is consistent with industry-accepted practices for such substitute or successor base rate.

The establishment of three-month U.S. Dollar LIBOR (or such successor base rate, as applicable) for each period by the Security Calculation Agent shall (in the absence of manifest error) be final and binding.

“**London Business Day**” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in London generally are authorized or obligated by law, regulation or executive order to close and is also a day on which dealings in U.S. dollars are transacted in the London interbank market.

The “**Measurement Period Cash Amount**” is an amount per Security equal to:

- (a) \$0.00 on any calendar day, to but excluding the first day of a Measurement Period.
- (b) On the first day of a one-day Measurement Period:
 - At the close of trading on such Index Business Day, (Current Principal Amount on the immediately preceding calendar day × Index Factor, on such Index Business Day).
- (c) From and including the first day of a four-day Measurement Period:

- (i) At the close of trading on each Index Business Day during the Measurement Period, the Measurement Period Cash Amount on the immediately preceding calendar day + (Current Principal Amount on the calendar day immediately preceding the first day of such Measurement Period \times 0.25 \times Index Factor, on such Index Business Day); and
 - (ii) On any calendar day during the Measurement Period that is not an Index Business Day, the Measurement Period Cash Amount on the immediately preceding Index Business Day.
- (d) On any calendar day after the last Index Business Day of a Measurement Period, the Measurement Period Cash Amount on the last Index Business Day of such Measurement Period.

Notwithstanding the foregoing, if, on any day during a Measurement Period, the Current Indicative Value or the Closing Indicative Value is *less than or equal to* the Measurement Period Cash Amount from the immediately preceding calendar day, then the Measurement Period Cash Amount for that day and all subsequent days will be fixed to be equal to the Measurement Period Cash amount from the immediately preceding calendar day.

The Measurement Period Cash Amount represents the portion of the Current Principal Amount that has been converted to cash on any given day of an applicable Measurement Period and is no longer tracking the Index.

At the close of trading of each Index Business Day during a four-day Measurement Period, approximately 25% of the Current Principal Amount on the calendar day immediately preceding the first day of the Measurement Period, will be deemed converted to cash and an applicable portion of the notional financing amount will separately be deemed converted to cash as well. After the close of trading on the final Index Business Day of a four-day Measurement Period, the Measurement Period Cash Amount will represent the averaged value of the Current Principal Amount that was deemed converted to cash across the four-days of such Measurement Period. In case of a one-day Measurement Period, approximately 100% of the Current Principal Amount will be deemed converted to cash and an applicable amount of financing will separately be deemed converted to cash, at the close of trading of the first day of such Measurement Period.

If the Securities undergo a split or reverse split, the Measurement Period Cash Amount will be adjusted accordingly.

The “**Final Measurement Period**” means:

- (a) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is less than \$500,000,000, the Calculation Date, subject to adjustments as described under “— Market Disruption Event”;
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the Calculation Date is equal to or greater than \$500,000,000, the four Index Business Days from and including the Calculation Date, subject to adjustments as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the Calculation Date, will equal:

- (i) the Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Index Calculation Agent**” means the entity that calculates and publishes the level of the Index, which for each series of Securities is the entity set forth below:

| Title of Securities | Index Calculation Agent |
|--|--------------------------------|
| ETRACS 2x Leveraged US Dividend Factor TR ETN | S&P Dow Jones Indices |
| ETRACS 2x Leveraged US Growth Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Size Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged US Value Factor TR ETN | FTSE Russell |
| ETRACS 2x Leveraged MSCI US Minimum Volatility Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Momentum Factor TR ETN | MSCI, Inc. |
| ETRACS 2x Leveraged MSCI US Quality Factor TR ETN | MSCI, Inc. |

The “**Calculation Date**” means February 1, 2051, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustment.

The Calculation Date represents the first Index Business Day of the Final Measurement Period.

“**Index Business Day**” means any day on which the Primary Exchange or market for trading of the Securities is scheduled to be open for trading.

“**Primary Exchange**” means, with respect to each Index Constituent Security or each constituent underlying a successor index, the primary exchange or market of trading such Index Constituent Security or such constituent underlying a successor index.

Underlying Index

The return of each series of Securities is based upon the performance of the applicable Index set forth on the cover page of the prospectus supplement. Each Index is designed to track the performance of a sector of the U.S. equity market and to reflect an investing style. We refer to the securities included in each Index as the “Index Constituent Securities” for such Index.

Early Redemption at the Option of the Holders

Subject to your compliance with the procedures described below and the potential postponements and adjustments as described under “— Market Disruption Event”, you may submit a request to have us redeem your Securities on any Index Business Day no later than 12:00 noon and a confirmation of redemption by no later than 5:00 p.m. on the same Index Business Day. You must request that we redeem a minimum of 50,000 Securities, although we reserve the right from time to time to waive this minimum redemption amount in our sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver. For any applicable redemption request, the “**Redemption Valuation Date**” will be the first Index Business Day following the date that the applicable redemption notice and redemption confirmation are delivered, except that we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the notice of redemption rather than the following Index Business Day. You should not assume you will be entitled to any such acceleration. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so.

The Securities will be redeemed and the holders will receive payment for their Securities on the second Index Business Day following the applicable Redemption Valuation Date (the “**Redemption Date**”). The first Redemption Date will be the fourth Index Business Day immediately following the Initial Trade Date and the Final Redemption Date will be the fourth Index Business Day immediately preceding the Maturity Date, subject to adjustments. In addition, if we have issued a call notice, the last Redemption Valuation Date will be the fourth Index Business Day prior to the Call Settlement Date, as applicable. If a Zero Value Event occurs, the last Redemption Date will be the date on which the Zero Value Event occurred.

If a Market Disruption Event is continuing or occurs on the applicable scheduled Redemption Valuation Date with respect to any of the Index Constituent Securities, such Redemption Valuation Date may be postponed as described under “— Market Disruption Event”.

As of any Redemption Valuation Date, the “**Redemption Fee Amount**” means an amount per Security equal to:

$$(0.125\% \times \text{Closing Indicative Value of the Security as of the Redemption Valuation Date}).$$

If you exercise your right to have us redeem your Securities, subject to your compliance with the procedures described under “— Redemption Procedures”, for each applicable Security you will receive a cash payment on the relevant Redemption Date equal to:

$$\text{Closing Indicative Value as of the Redemption Valuation Date} - \text{Redemption Fee Amount}.$$

We refer to this cash payment as the “**Redemption Amount**.” If the amount calculated above is equal to or less than zero, the payment upon early redemption will be zero. We reserve the right from time to time to waive the Redemption Fee Amount in our sole discretion and on a case-by-case basis. There can be no assurance that we will elect to waive this fee and you should not assume you will be entitled to such fee waiver.

We will inform you of such Redemption Amount on the first Index Business Day following the applicable Redemption Valuation Date.

The redemption feature is intended to induce arbitrageurs to counteract any trading of the Securities at a discount to their indicative value, though there can be no assurance that arbitrageurs will employ the redemption feature in this manner or that they will be successful in counteracting any divergence in the market price of the Securities and their indicative value.

The following graphic illustrates the formula to determine the Redemption Amount, which has been simplified for ease of presentation:

$$\text{Redemption Amount} = \text{Closing Indicative Value} - \text{Redemption Fee Amount}$$

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon early redemption. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

The Securities may be called by UBS prior to the Maturity Date pursuant to its Call Right and, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — UBS’s Call Right” and “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event”.

Redemption Procedures

To redeem your Securities, you must instruct your broker or other person through whom you hold your Securities to take the following steps through normal clearing system channels:

- deliver a notice of redemption, which we refer to as a “**Redemption Notice**” to UBS via email no later than 12:00 noon on the Index Business Day on which you elect to exercise your redemption right. If we receive your Redemption Notice by the time specified in the preceding sentence, we will respond by sending you a form of confirmation of redemption;
- deliver the signed confirmation of redemption, which we refer to as the “**Redemption Confirmation**”, to us via email in the specified form by 5:00 p.m. on the same day. We or our affiliate must acknowledge receipt in order for your Redemption Confirmation to be effective;
- instruct your DTC custodian to book a delivery vs. payment trade with respect to your Securities on the applicable Redemption Date at a price equal to the Redemption Amount; and
- cause your DTC custodian to deliver the trade as booked for settlement via DTC at or prior to 12:00 noon on the applicable Redemption Date.

Different brokerage firms may have different deadlines for accepting instructions from their customers. Accordingly, as a beneficial owner of the Securities, you should consult the brokerage firm through which you own your interest for the relevant deadline. If your broker delivers your Redemption Notice after 12:00 noon, or your Redemption Confirmation after 5:00 p.m., on the Index Business Day prior to the applicable Redemption Valuation Date, your Redemption Notice will not be effective, you will not be able to redeem your Securities until the following Redemption Date and your broker will need to complete all the required steps if you should wish to redeem your Securities on any subsequent Redemption Date. In addition, UBS may request a medallion signature guarantee or such assurances of delivery as it may deem necessary in its sole discretion. All instructions given to participants from beneficial owners of Securities relating to the right to redeem their Securities will be irrevocable. If your DTC custodian or your brokerage firm is not a current UBS customer, UBS will be required to on-board such DTC custodian or brokerage firm, in compliance with its internal policies and procedures, before it can accept your Redemption Notice, your Redemption Confirmation or otherwise process your redemption request. This on-boarding process may delay your Redemption Valuation Date and Redemption Date. Furthermore, in certain circumstances, UBS may be unable to on-board your DTC custodian or your brokerage firm.

We reserve the right from time to time to waive the minimum redemption amount or the Redemption Fee Amount in our sole discretion on a case-by-case basis. In addition, we reserve the right from time to time to accelerate, in our sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which we receive the Redemption Notice rather than the following Index Business Day. You should not assume you will be entitled to any such waiver or election to accelerate the Redemption Valuation Date.

UBS’s Call Right

UBS may at its option redeem all, but not less than all, of the issued and outstanding Securities of any series. To exercise its Call Right, UBS must provide notice to the holders of such Securities (which may be provided via press release) not less than 18 calendar days prior to the Call Settlement Date specified by UBS in such notice. If we call the Securities, you will receive a cash payment equal to the Closing Indicative Value on the last Index Business Day in the Call Measurement Period. We refer to this cash payment as the “**Call Settlement Amount**.”

If the amount calculated above is equal to or less than zero, the payment upon UBS’s exercise of its Call Right will be zero.

We will inform you of such Call Settlement Amount on the first Index Business Day following the last Index Business Day in the Call Measurement Period.

The holders will receive payment for their Securities on the third Index Business Day following the last Index Business Day in the Call Measurement Period (the “**Call Settlement Date**”). If a Market Disruption Event is continuing or occurs on the scheduled Call Valuation Date with respect to any of the Index Constituent Securities, such Call Valuation Date may be postponed as described under “— Market Disruption Event”.

The “**Call Measurement Period**” means:

- (a) if the Market Value of Securities outstanding at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is less than \$500,000,000, the Call Valuation Date, subject to adjustments as described under “— Market Disruption Event”; and
- (b) if the Market Value of Securities outstanding as at the close of trading on the Index Business Day immediately preceding the date we issue a notice of exercise of our Call Right is equal to or greater than \$500,000,000, the four Index Business Days from and including the Call Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

For the purpose of determining the Final Measurement Period, the “**Market Value**” of the Securities outstanding as of the close of trading on the Index Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of its Call Right will equal:

- (i) The Closing Indicative Value as of such Index Business Day *times* (ii) the number of Securities outstanding as reported on Bloomberg.

The “**Call Valuation Date**” means the date we specify in our notice to holders (which may be provided via press release) of our exercise of our Call Right.

In any notice to holders exercising our Call Right, we will specify how many days are included in the Call Measurement Period.

The following graphic illustrates the formula to determine the Call Settlement Amount, which has been simplified for ease of presentation:

$$\text{Cash Settlement Amount} = \frac{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}{\text{Closing Indicative Value, on last Index Business Day in Call Measurement Period}}$$

You may lose all or a substantial portion of your investment if we exercise our Call Right. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is insufficient to offset the negative effect of the Accrued Fees, or if the compounded leveraged quarterly return of the Index (or the unleveraged return of the Index, following a Permanent Deleveraging Event) is negative, you may lose all or a substantial portion of your investment upon a call. Loss Rebalancing Events will cause compounding to occur more frequently than quarterly.

In addition, upon the occurrence of a Zero Value Event, the Securities will be automatically accelerated and mandatorily redeemed by UBS. See “Specific Terms of the Securities — Automatic Acceleration Upon Zero Value Event” below.

Automatic Acceleration Upon Zero Value Event

For each series of Securities, a Zero Value Event represents the first instance when the Current Indicative Value (intraday indicative value) or the Closing Indicative Value is less than or equal to zero (other than on an Excluded Day, as defined below). It will have the effect of permanently resetting the value of your Securities to zero and accelerating the Securities. You will not benefit from any future exposure to the applicable Index after the occurrence of a Zero Value Event.

A Zero Value Event can occur only if a Permanent Deleveraging Event occurs and the Current Indicative Value (intraday indicative value) or the Closing Indicative Value declines to zero before the leverage of your Securities is reset to 1.0 at the close of trading on the Index Business Day following such event (or if such event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, the second Index Business Day following such event), as described under “Permanent Deleveraging Valuation Dates” above.

A “**Zero Value Event**” occurs if the Current Indicative Value (intraday indicative value) or the Closing Indicative Value on any Index Business Day (other than an Excluded Day, as defined below) is less than or equal to zero. From immediately after the Zero Value Event and on all future calendar days, the Current Indicative Value (intraday indicative value) and the Closing Indicative Value will be set equal to zero.

As used above, an “**Excluded Day**” means (i) any calendar day after the Second Permanent Deleveraging Valuation Date (ii) any calendar day on or after which a Zero Value Event has already occurred, and (iii) any calendar day after the last day of an applicable Measurement Period.

In the event that a Zero Value Event has occurred, UBS will issue a press release shortly after the event; provided that the failure to do so shall not affect the automatic acceleration and redemption of the Securities. The Securities will be suspended from trading intraday shortly after the event occurs and will likely not be open for trading again on NYSE Arca.

You will lose your entire investment upon the occurrence of a Zero Value Event.

In addition, we may call the Securities prior to the Maturity Date pursuant to our Call Right. See “Specific Terms of the Securities — UBS’s Call Right”.

Loss Rebalancing Events

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A “**Loss Rebalancing Event**” occurs if, at any time, the Intraday Index Value on such Index Business Day (other than an Excluded Day, as used below) decreases by 20% or more from the previous Last Reset Index Closing Level.

Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar quarter. This means both that (i) the Current Principal Amount may be reset more frequently than quarterly and (ii) the cumulative effect of compounding and fees will have increased as a result of the Loss Rebalancing Event(s). Because each Loss Rebalancing Event will have the effect of deleveraging your Securities, following a Loss Rebalancing Event your Securities will have less exposure to a potential positive gain in value relative to the exposure before the occurrence of such Loss Rebalancing Event.

As used above, an “**Excluded Day**” means (i) the Index Business Day immediately preceding any Quarterly Reset Valuation Date, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day, (ii) any Quarterly Reset Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of an applicable Measurement Period, if a Loss Rebalancing Event occurs after 3:15 p.m. on such day (v) any calendar day from and including the first day of an applicable Measurement Period, (vi) the First or Second Permanent Deleveraging Valuation Dates, (vii) any calendar day after the Second Permanent Deleveraging Valuation Date, and (ix) any calendar day on or after which a Zero Value Event has occurred.

“**Loss Rebalancing Valuation Date**” means:

- (a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under “— Market Disruption Event”; and
- (b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under “— Market Disruption Event.”

Permanent Deleveraging Event

A Permanent Deleveraging Event will have the effect of deleveraging your Securities, with the aim of permanently resetting the then-current leverage to 1.0 over two Index Business Days. The leverage at the end of the First Permanent Deleveraging Valuation Date is reset to approximately 2.0 and the leverage at the end of the Second Permanent Deleveraging Valuation Date is reset to 1.0. This means that after a Permanent Deleveraging Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities than it would have had before the occurrence of the Permanent Deleveraging Event. If such an event were to occur, it most likely would occur only following a Loss Rebalancing Event and prior to the completion of the associated leverage reset to 2.0, which would generally occur at the end of the Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred or, if the Loss Rebalancing Event occurs 3:15 p.m. on an Index Business Day, at the end of the second Index Business Day following the Index Business Day on which the Loss Rebalancing Event occurred.

A “**Permanent Deleveraging Event**” occurs if, at any time on an Index Business Day (other than an Excluded Day, as defined below), the Intraday Index Value decreases by 40% or more from the Last Reset Index Closing Level. If a Permanent Deleveraging Event occurs, the Current Principal Amount of the Securities will be reset over two Index Business Days.

As used above, an “**Excluded Day**” means (i) the First or Second Permanent Deleveraging Valuation Dates, (ii) any calendar day after the Second Permanent Deleveraging Valuation Date, (iii) any day on or after which a Zero Value Event occurs, (iv) the day which is two Index Business Days prior to the first day of a Measurement Period, if a Permanent Deleveraging Event occurs after 3:15 p.m. on such day, and (v) any calendar day from and including the Index Business Day immediately preceding the first day of a Measurement Period.

“**Permanent Deleveraging Valuation Dates**” means the First Permanent Deleveraging Valuation Date and the Second Permanent Deleveraging Valuation Date, each as defined below:

- (a) The “**First Permanent Deleveraging Valuation Date**” means:
 - (i) any Index Business Day, which otherwise would have been a Loss Rebalancing Valuation Date, but on which a Permanent Deleveraging Event has occurred, subject to adjustment as described under “— Market Disruption Event”; or
 - (ii) if a Permanent Deleveraging Event occurs after 3:15 p.m. on any Index Business Day which would not otherwise have been a Loss Rebalancing Valuation Date, then the first Index Business Day following the occurrence of such Permanent Deleveraging Event, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to approximately 2.0 at the close of trading on the First Permanent Deleveraging Valuation Date.

- (b) The “**Second Permanent Deleveraging Valuation Date**” means the Index Business Day immediately following the First Permanent Deleveraging Valuation Date, subject to adjustment as described under “— Market Disruption Event.”

The leverage of your Securities will be reset to 1.0 at the close of trading on the Second Permanent Deleveraging Valuation Date.

Split or Reverse Split of the Securities

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, we will issue a press release announcing the split or reverse split and its effective date. The date of such press release shall be deemed to be the “**announcement date**” of the split or the reverse split, the record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date.

If the Securities undergo a split or reverse split, we will adjust the Current Principal Amount, Closing Indicative Value, Current Indicative Value, Accrued Fees, Measurement Period Cash Amount and other relevant terms of the Securities accordingly. For example, if the Securities undergo a 4:1 split, every investor who holds a Security via The Depository Trust Company (“DTC”) on the relevant record date will, after the split, hold four Securities, and adjustments will be made as described below. The Current Principal Amount on such record date will be *divided by* four to reflect the 4:1 split. The adjusted Current Principal Amount will be rounded to eight decimal places. The split or reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The split will not occur if we exercise our Call Right before it becomes effective.

In the case of a reverse split, the Current Principal Amount and other relevant terms of the Securities will be adjusted accordingly and we will determine in our sole discretion the manner in which we will address odd numbers of Securities (commonly referred to as “partials”). For example, if the Securities undergo a 1:4 reverse split, every investor who holds four Securities via DTC on the relevant record date will, after the reverse split, hold only one Security and the Current Principal Amount of the Securities on such record date will be multiplied by four to reflect the 1:4 reverse split. The adjusted Current Principal Amount will be rounded to eight decimal places. The reverse split will become effective at the opening of trading of the Securities on the Index Business Day immediately following the record date. The reverse split will not occur if we exercise our Call Right before it becomes effective.

Holders who own a number of Securities on the record date that is not evenly divisible by the reverse split divisor (which in the case of a 1:4 reverse split, for example, will be 4) will receive the same treatment as all other holders for the maximum number of Securities they hold that is evenly divisible by the reverse split divisor. We will determine in our sole discretion the manner in which we compensate holders for their remaining or “partial” Securities when we announce the reverse split, though our current intention is to provide holders with a cash payment for their partials on the 17th Business Day following the announcement date in an amount equal to the appropriate percentage of the Closing Indicative Value of the reverse split-adjusted Securities on the 15th Business Day following the announcement date. For example, in the case of a 1:4 reverse split, a holder who held 23 Securities via DTC on the record date would receive five post-reverse split Securities on the immediately following Business Day, and a cash payment on the 17th Business Day following the announcement date that is equal to 3/4 of the Current Principal Amount of the reverse split-adjusted Securities on the 15th Business Day following the announcement date.

Security Calculation Agent

UBS Securities LLC will act as the Security Calculation Agent. The Security Calculation Agent will be solely responsible for all determinations and calculations regarding the value of the Securities, including, among other things, at maturity or upon early redemption or call, or at other times, the Current Principal

Amount, Current Indicative Value (which we also refer to as the intraday indicative value), Closing Indicative Value, Market Disruption Events, Business Days, Index Business Days, the Leverage Factor, the Index Factor, the Index Performance Ratio, the Residual Factor, the Index Closing Level, the Financing Rate, the Accrued Fees (including determining any successor to the LIBOR base rate), the Redemption Fee Amount, the Cash Settlement Amount, if any, that we will pay you at maturity, the Redemption Amount, if any, that we will pay you upon redemption, the Call Settlement Amount, that we will pay you if we call the Securities, whether a Loss Rebalancing Event has occurred, whether a Permanent Deleveraging Event has occurred and whether any day is an Index Business Day and all such other matters as may be specified elsewhere herein as matters to be determined by the Security Calculation Agent. If any Intraday Index Value as published by Bloomberg on any Index Business Day is manifestly incorrect, the Security Calculation Agent may base its determination of whether a Loss Rebalancing Event, Permanent Deleveraging Event or Zero Value Event shall have occurred on such Index Business Day on its own determination of such Intraday Index Value. In making such determination, the Security Calculation Agent may consider any relevant information, including, without limitation, relevant market data in the relevant market supplied by one or more third parties or from internal sources or affiliates. The Security Calculation Agent will also be responsible for determining whether the Index has been discontinued and whether there has been a material change in the Index. The Security Calculation Agent will make all such determinations and calculations in its sole discretion, and absent manifest error, all determinations of the Security Calculation Agent will be conclusive for all purposes and binding on us, you, and all other persons having an interest in the Securities, without liability on the part of the Security Calculation Agent. You will not be entitled to any compensation from us for any loss suffered as a result of any determinations or calculations made by the Security Calculation Agent. We may appoint a different Security Calculation Agent from time to time after the date of the prospectus supplement without your consent and without notifying you.

The Security Calculation Agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity or upon early redemption or call, on or prior to 12:00 noon on the Index Business Day immediately preceding the Maturity Date, any Redemption Date or any Call Settlement Date.

All dollar amounts related to determination of the Accrued Fees, the Current Principal Amount, and any Redemption Amount, Redemption Fee Amount, Call Settlement Amount or Cash Settlement Amount per Security will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid to any holder of Securities will be rounded to the nearest cent, with one-half cent rounded upward.

Market Disruption Event

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing during a four-day Measurement Period, the Index Closing Level for such day will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. The remaining Index Business Days in the Measurement Period will be postponed accordingly, and the remaining Index Business Days in the Measurement Period will resume again following the suspension of the Market Disruption Event. For example, if the four-day Measurement Period for purposes of calculating the Call Settlement Amount, is scheduled for June 2, June 3, June 4 and June 5, and there is a Market Disruption Event with respect to the Index on June 2, but no other Market Disruption Event during such Call Measurement Period, then June 3 will become the first Index Business Day of the Measurement Period, June 4th the second Index Business Day, June 5th the third Index Business Day and the next Index Business Day after June 5th would be the final day of the Measurement Period. The same approach would be applied if there is a Market Disruption Event during a four-day Final Measurement Period.

To the extent a Market Disruption Event with respect to the Index has occurred or is continuing on the Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or any Reset Valuation Date, the Index Closing Level for such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date will be determined by the Security Calculation Agent or one of its affiliates on the first succeeding Index Business Day on which a Market Disruption Event does not occur or is not continuing with respect to the Index. For example, if the Redemption Valuation Date, for purposes of calculating a Redemption Amount, is based on the Index Closing Level on June 2 and there is a Market Disruption Event with respect to the Index on June 2, then the Index Closing Level on June 3 will be used to calculate the Redemption Amount, assuming that no such Market Disruption Event has occurred or is continuing on June 3.

In no event, however, will any postponement pursuant to either of the two immediately preceding paragraphs result in the affected Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date (in the event that the Call Measurement Period is the Call Valuation Date), Calculation Date (in the event that the Final Measurement Period is the Calculation Date) or Reset Valuation Date occurring more than five Index Business Days following the day originally scheduled to be such Index Business Day of the Measurement Period or such Redemption Valuation Date, Call Valuation Date, Calculation Date or Reset Valuation Date. If a Market Disruption Event has occurred or is continuing with respect to the Index on the fifth Index Business Day following the date originally scheduled to be such Index Business Day of the Measurement Period or any Redemption Valuation Date, Call Valuation Date, Calculation Date or any Reset Valuation Date, the Security Calculation Agent or one of its affiliates will determine the Index Closing Level based on its good faith estimate of the Index Closing Level that would have prevailed on such fifth Index Business Day but for such Market Disruption Event.

Any of the following will be a “**Market Disruption Event**” with respect to the Index, in each case as determined by the Security Calculation Agent in its sole discretion:

- (a) suspension, absence or material limitation of trading in a material number of Index Constituent Securities, whether by reason of movements in price exceeding limits permitted by the Primary Exchange or otherwise;
- (b) suspension, absence or material limitation of trading in option or futures contracts relating to the Index or to a material number of Index Constituent Securities in the primary market or markets for those contracts;
- (c) the Index is not published; or
- (d) in any other event, if the Security Calculation Agent determines in its sole discretion that the event materially interferes with our ability or the ability of any of our affiliates to unwind all or a material portion of a hedge with respect to the Securities that we or our affiliates have effected or may effect as described in the section entitled “Use of Proceeds and Hedging.”

The following events will not be Market Disruption Events with respect to the Index:

- (a) a limitation on the hours or numbers of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant market; and
- (b) a decision to permanently discontinue trading in the option or futures contracts relating to the Index or any Index Constituent Securities.

For this purpose, an “absence of trading” in the primary securities market on which option or futures contracts related to the Index or any Index Constituent Securities are traded will not include any time when that market is itself closed for trading under ordinary circumstances.

Default Amount on Acceleration

If an event of default occurs and the maturity of the Securities is accelerated, we will pay the default amount in respect of the principal of the Securities at maturity. We describe the default amount below under “— Default Amount.”

For the purpose of determining whether the holders of our Medium-Term Notes, Series B, of which the Securities are a part, are entitled to take any action under the indenture, we will treat the outstanding principal amount of the Medium-Term Notes, Series B, as constituting the outstanding principal amount of the Securities. Although the terms of the Securities may differ from those of the other Medium-Term Notes, Series B, holders of specified percentages in principal amount of all Medium-Term Notes, Series B, together in some cases with other series of our debt securities, will be able to take action affecting all the Medium-Term Notes, Series B, including the Securities. This action may involve changing some of the terms that apply to the Medium-Term Notes, Series B, accelerating the maturity of the Medium-Term Notes, Series B after a default or waiving some of our obligations under the indenture. We discuss these matters in “Medium-Term Notes, Series B” above under “Description of Debt Securities We May Offer — Default, Remedies and Waiver of Default” and “Description of Debt Securities We May Offer — Modification and Waiver of Covenants.”

Default Amount

The default amount for the Securities on any day will be an amount, in U.S. dollars as determined by the Security Calculation Agent in its sole discretion, for the aggregate Stated Principal Amount of the Securities, equal to the cost of having a qualified financial institution, of the kind and selected as described below, expressly assume all our payment and other obligations with respect to the Securities as of that day and as if no default or acceleration had occurred, or to undertake other obligations providing substantially equivalent economic value to you with respect to the Securities. That cost will equal:

- the lowest amount that a qualified financial institution would charge to effect this assumption or undertaking, *plus*
- the reasonable expenses, including reasonable attorneys’ fees, incurred by the holders of the Securities in preparing any documentation necessary for this assumption or undertaking.

During the default quotation period for the Securities, which we describe below, the holders of the Securities and/or we may request a qualified financial institution to provide a quotation of the amount it would charge to effect this assumption or undertaking. If either party obtains a quotation, it must notify the other party in writing of the quotation. The amount referred to in the first bullet point above will equal the lowest — or, if there is only one, the only — quotation obtained, and as to which notice is so given, during the default quotation period. With respect to any quotation, however, the party not obtaining the quotation may object, on reasonable and significant grounds, to the assumption or undertaking by the qualified financial institution providing the quotation and notify the other party in writing of those grounds within two Business Days after the last day of the default quotation period, in which case that quotation will be disregarded in determining the default amount.

Default Quotation Period

The default quotation period is the period beginning on the day the default amount first becomes due and ending on the third Index Business Day after that day, unless:

- no quotation of the kind referred to above is obtained, or
- every quotation of that kind obtained is objected to within five Index Business Days after the due date as described above.

If either of these two events occurs, the default quotation period will continue until the third Index Business Day after the first Index Business Day on which prompt notice of a quotation is given as described above. If that quotation is objected to as described above within five Index Business Days after that first Index Business Day, however, the default quotation period will continue as described in the prior sentence and this sentence.

In any event, if the default quotation period and the subsequent two Index Business Day objection period have not ended before the Calculation Date, then the default amount will equal the Stated Principal Amount of the Securities.

Qualified Financial Institutions

For the purpose of determining the default amount at any time, a qualified financial institution must be a financial institution organized under the laws of any jurisdiction in the United States of America, Europe or Japan, which at that time has outstanding debt obligations with a stated maturity of one year or less from the date of issue and rated either:

- A-1 or higher by Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc., or any successor, or any other comparable rating then used by that rating agency, or
- P-1 or higher by Moody’s Investors Service or any successor, or any other comparable rating then used by that rating agency.

Discontinuance of or Adjustments to the Index or Termination of Our License Agreements with the Index Sponsors; Alteration of Method of Calculation

If (i) an Index Sponsor or the Index Calculation Agent announces that it intends to discontinue, or discontinues, publication of, or otherwise fails to publish, the Index, (ii) our license agreement with the Index Sponsor terminates or (iii) the Index Sponsor or Index Calculation Agent does not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, and, in each case, any other person or entity publishes an index licensed to UBS that the Security Calculation Agent determines is comparable to the Index and for which the Index Constituent Securities and/or their unit weighting are available to the Security Calculation Agent (such index being referred to herein as a “**successor index**”), and the Security Calculation Agent approves such index as a successor index, then on and after the date determined by the Security Calculation Agent, the Security Calculation Agent will determine the Index Closing Level on the applicable dates of determination and the amount payable at maturity or upon early redemption or call and all other related payments terms by reference to such successor index.

Upon any selection by the Security Calculation Agent of a successor index, the Security Calculation Agent will cause written notice of the successor index and the date on and after which the Index Closing Level will be determined by reference thereto be furnished to the trustee, to us and to the holders of the Securities.

If an Index Sponsor or Index Calculation Agent discontinues publication of the Index, our license agreement with the Index Sponsor terminates or the Index Sponsor or Index Calculation Agent do not make the Index Constituent Securities and/or their unit weighting available to the Security Calculation Agent, prior to, and such discontinuation, termination or unavailability is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or

on any Reset Valuation Date, as applicable, or on any other relevant date on which the Index Closing Level is to be determined and the Security Calculation Agent determines that no successor index is available at such time, or the Security Calculation Agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on the Calculation Date or any Index Business Day during a Measurement Period, or on the Redemption Valuation Date or on any Reset Valuation Date, or any other relevant date on which the Index Closing Level is to be determined, then the Security Calculation Agent will determine the Index Closing Level using the Index Closing Level on the last Index Business Day immediately prior to such discontinuation or unavailability, as adjusted for certain corporate actions. In such event, the Security Calculation Agent will cause notice thereof to be furnished to the trustee, to us and to the holders of the Securities.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

In addition, if an Index Replacement Event (as defined below) occurs at any time and the Index Sponsor or anyone else publishes an index that the Security Calculation Agent determines is comparable to the Index (the “**Substitute Index**”), then the Security Calculation Agent may elect, in its sole discretion, to permanently replace the original Index with the Substitute Index for all purposes under the Securities, and all provisions described in the prospectus supplement as applying to the Index will thereafter apply to the Substitute Index instead. In such event, the Security Calculation Agent will make such adjustments, if any, to any level of the Index or Substitute Index that is used for purposes of the Securities as it determines are appropriate in the circumstances. If the Security Calculation Agent elects to replace the original Index with a Substitute Index, then the Security Calculation Agent will determine all amounts hereunder, Current Principal Amount, Current Indicative Value (intraday indicative value), Closing Indicative Value, Index Factor, Index Performance Ratio, Residual Factor, Accrued Fees, Index Closing Levels on the applicable dates of determination, all other related payment terms and the amount payable at maturity or upon early redemption or call by reference to such Substitute Index. If the Security Calculation Agent so elects to replace the original Index with a Substitute Index, the Security Calculation Agent will cause written notice thereof to be furnished to the trustee, to us and to the holders of the Securities of the Securities.

An “**Index Replacement Event**” means:

- (a) an amendment to or change (including any officially announced proposed change) in the laws, regulations or rules of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities included in the Index (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on any of these parties’ ability to perform their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;

- (b) any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules that is announced on or after February 4, 2021 that (i) makes it illegal for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities included in the Index or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) materially increases the cost to us, our affiliates, third parties with whom we transact or similarly situated third parties in performing our or their obligations in connection with the Securities, (iii) has a material adverse effect on the ability of us, our affiliates, third parties with whom we transact or a similarly situated third party to perform our or their obligations in connection with the Securities, or (iv) materially affects our ability to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (c) any event that occurs on or after February 4, 2021 that makes it a violation of any law, regulation or rule of the United States (or any political subdivision thereof), or any jurisdiction in which a Primary Exchange (as defined herein) is located, or of any official administrative decision, judicial decision, administrative action, regulatory interpretation or other official pronouncement interpreting or applying those laws, regulations or rules, (i) for UBS AG or its affiliates to hold, acquire or dispose of the Index Constituent Securities or options, futures, swaps or other derivatives on the Index or on the Index Constituent Securities (including but not limited to exchange-imposed position limits), (ii) for us, our affiliates, third parties with whom we transact or similarly situated third parties to perform our or their obligations in connection with the Securities, or (iii) for us to issue or transact in exchange traded notes similar to the Securities, each as determined by the Security Calculation Agent;
- (d) any event, as determined by the Security Calculation Agent, as a result of which we or any of our affiliates or a similarly situated party would, after using commercially reasonable efforts, be unable to, or would incur a materially increased amount of tax, duty, expense or fee (other than brokerage commissions) to, acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction or asset it deems necessary to hedge the risk of the Securities, or realize, recover or remit the proceeds of any such transaction or asset; or
- (e) as determined by the Security Calculation Agent, the primary exchange or market for trading for the Securities, if any, announces that pursuant to the rules of such exchange or market, as applicable, the Securities cease (or will cease) to be listed, traded or publicly quoted on such exchange or market, as applicable, for any reason and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as such exchange or market, as applicable.

Notwithstanding these alternative arrangements, discontinuation of the publication of the Index or successor index, as applicable, may adversely affect the value of the Securities.

If at any time the method of calculating the Index, a successor index or a Substitute Index, or the value thereof, is changed in a material respect, or if the Index or a successor or Substitute Index is in any other way modified so that the Index Closing Level of the Index or such successor or Substitute Index does not, in the opinion of the Security Calculation Agent, fairly represent the Index Closing Level of the Index or such successor or Substitute Index had such changes or modifications not been made, then the Security Calculation Agent will make such calculations and adjustments as, in the good faith judgment of the Security Calculation Agent, may be necessary in order to arrive at an Index Closing Level of an index comparable to the Index or such successor index, as the case may be, as if such changes or modifications had not been made, and the Security Calculation Agent will calculate the Index Closing Level for the Index or such successor or Substitute Index with reference to the Index or such successor or Substitute Index, as adjusted. The Security Calculation Agent will accordingly calculate the Index Closing Level, the Index Performance Ratio, the Last Reset Index Closing Level, the Accrued Fees, and any Redemption Amount, Redemption Fee Amount, Cash Settlement Amount or Call Settlement Amount, and all related payment terms based directly or indirectly on the Index Closing Level calculated by the Security Calculation Agent. Accordingly, if the method of calculating the Index or a successor or Substitute Index is modified so that the level of the Index or such successor or Substitute Index is a fraction or multiple of what it would have been if there had been no such modification (*e.g.*, due to a rebasing of the Index), which, in turn, causes the Index Closing Level of the Index or such successor or Substitute Index to be a fraction of what it would have been if there had been no such modification, then the Security Calculation Agent will make such calculations and adjustments in order to arrive at an Index Closing Level for the Index or such successor or Substitute Index as if it had not been modified (*e.g.*, as if such rebasing had not occurred).

In the event that the Security Calculation Agent elects to replace the Index with a successor index or a Substitute Index, UBS may, in its sole discretion, amend the title of the Securities in order to remove reference the former Index and to make such other changes to the title of the Securities as it considers necessary or desirable to reflect the name and/or characteristics of the relevant successor index or Substitute Index, as applicable.

All determinations and adjustments to be made by the Security Calculation Agent may be made in the Security Calculation Agent's sole discretion. See "Risk Factors — Risks Relating to Creditworthiness, Conflicts of Interest, Hedging Activities and Regulation of UBS — There are potential conflicts of interest between you and the Security Calculation Agent" in the prospectus supplement for a discussion of certain conflicts of interest which may arise with respect to the Security Calculation Agent.

Manner of Payment and Delivery

Any payment on or delivery of the Securities at maturity or upon early redemption or call will be made to accounts designated by you and approved by us, or at the corporate trust office of the trustee in New York City, but only when the Securities are surrendered to the trustee at that office. We also may make any payment or delivery in accordance with the applicable procedures of the depository.

Reissuances or Reopened Issues

We may, at our sole discretion, “reopen” or reissue any series of Securities. We issued the Securities initially in an amount having the aggregate Stated Principal Amount specified on the cover of the prospectus supplement. We may issue additional Securities in amounts that exceed the amount on the cover at any time, without your consent and without notifying you. The Securities do not limit our ability to incur other indebtedness or to issue other securities. Also, we are not subject to financial or similar restrictions by the terms of the Securities. For more information, please refer to “Description of Debt Securities We May Offer — Amounts That We May Issue” in “Medium-Term Notes, Series B” above.

These further issuances, if any, will be consolidated to form a single class with the originally issued Securities of the same series and will have the same CUSIP number and will trade interchangeably with such Securities immediately upon settlement. Any additional issuances will increase the aggregate Stated Principal Amount of the outstanding Securities of the class. The price of any additional offering will be determined at the time of pricing of that offering.

Booking Branch

The Securities will be booked through UBS AG, London Branch.

Clearance and Settlement

The DTC participants that hold the Securities through DTC on behalf of investors will follow the settlement practices applicable to equity securities in DTC’s settlement system with respect to the primary distribution of the Securities and secondary market trading between DTC participants.

Additional Tier 1 capital (Basel III-compliant)

| | |
|--------------------------|--|
| Issuer | UBS Group AG, or other employing entities of the UBS group |
| ISIN | - |
| Issue Date | 17.02.2023 ¹ |
| Currency | USD |
| Nominal (million) | 2 |
| Coupon Rate | 7.80% / 4.85% ³ |
| Maturity Date | perpetual ⁴ |
| First Call Date | 1 March 2028 ⁵ |

¹ Issuance date which corresponds to grant date for employees.

² Nominal amount at issuance with respective exchange rate used is disclosed on UBS website. For information on the outstanding amount, refer to the table "Capital and total loss-absorbing capacity instruments of UBS Group AG consolidated and UBS AG consolidated and standalone - Key features".

³ Applicable to USD-denominated and CHF-denominated issues, respectively, and not payable to EU/UK MRTs and SMFs, both as defined within this document.

⁴ Subject to forfeiture and vesting provisions.

⁵ For SMFs, as defined within this document, partly on 1 March 2029 and 1 March 2030.

Deferred Contingent Capital Plan 2022/23 (DCCP)

Summary description of the terms and conditions of DCCP as a capital instrument

| | |
|----------------------------------|--|
| Overview | Issues under the DCCP are made by UBS Group AG or certain other employing entities to key contributors at UBS Group AG or any of its subsidiaries (together, the "Group"). Eligibility is determined by the Issuer and issues are granted at its sole discretion. |
| Issuer | UBS Group AG or certain other employing entities of the UBS group |
| Type of instrument | <p>Non-transferable contingent right against the Issuer to receive</p> <ul style="list-style-type: none">(i) discretionary annual interest equivalent payments on the nominal value of a hypothetical perpetual Additional Tier 1 ("AT1") security notionally issued by UBS Group AG at grant (the "Notional Bond"), and(ii) at redemption, as determined by the Issuer in its sole discretion, either the value of the Notional Bond in cash or perpetual AT1 securities issued or guaranteed by UBS Group AG or any other member of the Group of equivalent value (in each case net of any applicable taxes and social security contributions to the employee's account). <p>For DCCP awarded to EU/UK Material Risk Takers (MRT)¹ and individuals performing designated UK Senior Management Functions (SMF)² there will be no contingent right to receive discretionary annual interest payments; only non-transferable contingent right against the Issuer to receive the amount indicated under (ii) above.</p> |
| Conditional Interest Equivalents | <p>Subject to (i) the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions" and (ii) the discretionary and mandatory interest cancellation provisions as set out below, interest equivalents will be payable annually in arrears on the nominal value of the Notional Bond at a rate of 4.85% for CHF-denominated issues and 7.80% for USD-denominated issues.</p> <p>The Issuer may, at its discretion, elect to cancel any interest equivalent that is otherwise scheduled to be paid on any interest payment date. In addition, without limitation to the foregoing, payments of interest equivalents will not be made unless sufficient distributable items (i.e., net profits carried forward and freely distributable reserves) of UBS Group AG are available.</p> |
| Maturity date | <p>Issues under the DCCP have no scheduled maturity date.</p> <p>Notwithstanding the foregoing, but subject to the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions", issues to US taxpayers will mature and be settled on or about 1 March 2028 (the "First Call Date"). The Notional Bond underlying such issues will have no scheduled maturity date.</p> |

¹ Based on relevant European Banking Authority's ("EBA") Regulatory Technical Standards (RTS) for EU MRTs, and for UK MRTs, based on the EBA RTS and the UK Prudential Regulation Authority's and Financial Conduct Authority's rules.

² As defined by the UK's Prudential Regulation Authority and Financial Conduct Authority.

Trigger Event or Viability Event

All outstanding issuances under the DCCP (or, in case of a Trigger Event (as defined below), all outstanding awards under the DCCP in relation to which a Trigger Event has occurred) will be automatically and permanently written down to zero, no further amounts will be due or paid thereunder and such awards will be permanently cancelled, if:

- a) the reported Common Equity Tier 1 ratio of the Group set forth in UBS Group AG 's quarterly financial accounts, results, the annual report, or in any reviewed interim measurement published upon the instruction of the Swiss Financial Market Supervisory Authority FINMA ("FINMA"), falls below 7% or, with respect to grants awarded to Group Executive Board members, 10%, as of the relevant balance sheet date (each, a "Trigger Event");
- b) FINMA provides UBS Group AG with written notice of its determination that amounts outstanding under the DCCP are required to be written down to prevent the insolvency, bankruptcy or failure of UBS Group AG; or
- c) UBS Group AG has received a commitment of direct or indirect extraordinary support from the public sector that FINMA has determined and confirmed in writing to UBS Group AG is necessary to prevent the insolvency, bankruptcy or failure of UBS Group AG (an event described in clause (b) or (c), a "Viability Event").

Conditional Redemption

Subject to the conditions set out under "Trigger Event or Viability Event" and "Forfeiture and Vesting Provisions", the Issuer may, at its sole discretion, redeem any issuance by way of either a cash payment or delivery of AT1 securities on the First Call Date, provided that, where the Issuer has elected to redeem an issuance by way of a cash payment, a redemption will not occur until FINMA has approved it. DCCP issuances to SMFs may be redeemed by the Issuer on the same basis, in equal quantities on 1 March 2029 and 1 March 2030.

However, the following exceptions will apply:

- a) For SMFs who are members of the Group Executive Board, the DCCP Issuances may be redeemed on the same basis with 23% redeemed on 1 March 2029 and 77% redeemed on 1 March 2030

In case of a redemption by way of delivery of securities, the securities will be perpetual AT1 securities issued or guaranteed by UBS or any other member of the Group with substantially the same terms and provisions consistent with the Notional Bond, including but not limited to, the same Trigger and Liability Events. Furthermore, the aggregate value of the AT1 securities shall, subject to rounding, equal the value of the Notional Bond (net of any applicable taxes and social security contributions).

For issuances granted to US taxpayers, redemption will be on the First Call Date, such that if FINMA approval for any cash settlement has not been given, issuances must be settled by delivery of AT1 securities, on or about that date. Any AT1 securities delivered at settlement shall be marketable subordinated UBS Group AG debt instruments in the AT1 category having such terms and provisions consistent with the Notional Bond terms and provisions as determined by UBS Group AG in its sole discretion on or prior to the Grant Date.

| | |
|--|---|
| <p>Forfeiture and Vesting Provisions</p> | <p>Subject to the conditions set out under "Trigger Event or Viability Event", issuances under the DCCP will vest after a minimum of five years.</p> <p>An outstanding unvested issuance under the DCCP will generally be forfeited and cancelled, and no further interest equivalents will generally be due or paid, due to termination of employment or harmful acts by the employee. In certain circumstances, vesting of outstanding awards under the DCCP may be subject to conditions relating to the performance of the Group and/or the employee's business division and similar conditions. In addition, with respect to any award granted to Group Executive Board members, if the Group does not generate an adjusted pre-tax profit with respect to any financial year ending during or after the year of grant, but prior to the relevant vesting date, the nominal amount of such award will be reduced by 20% (for each year the Group does not generate an adjusted pre-tax profit) of the nominal amount of such award on the relevant grant date.</p> <p>In case of death (in or out of service) or disability, an outstanding unvested issuance under the DCCP will vest on the date that the employee's employment contract terminates due to death or disability or any other date as determined by the Issuer.</p> <p>Vesting may be accelerated, and forfeiture provisions may be relaxed, in case of early termination of the DCCP by, or change of control in, UBS Group AG.</p> |
| <p>Status</p> | <p>In the event of the liquidation or winding up of the Issuer under circumstances that do not coincide with the occurrence of a Trigger Event or a Viability Event, the holder will have a claim ranking junior to all rights and claims of priority creditors of the Issuer (i.e., claims in respect of obligations of the Issuer (i) that are unsubordinated or (ii) that are subordinated (including Tier 2 instruments) and do not, or are expressly not stated to, rank pari passu with, or junior to, the Issuer's obligations under the DCCP or any of the Issuer's obligations ranking pari passu with the Issuer's obligations under the DCCP).</p> |
| <p>Governing Law</p> | <p>Swiss law / in certain cases, New York law</p> |

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Ralph Hamers, certify that:

1. I have reviewed this annual report on Form 20-F of UBS Group AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2023

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

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Ralph Hamers, certify that:

1. I have reviewed this annual report on Form 20-F of UBS AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2023

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

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Sarah Youngwood, certify that:

1. I have reviewed this annual report on Form 20-F of UBS Group AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2023

/s/ Sarah Youngwood

Name: Sarah Youngwood

Title: Group Chief Financial Officer

CERTIFICATION UNDER SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Sarah Youngwood, certify that:

1. I have reviewed this annual report on Form 20-F of UBS AG;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 6, 2023

/s/ Sarah Youngwood
Name: Sarah Youngwood
Title: Chief Financial Officer

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS Group AG, a Swiss corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2022 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2023

/s/ Ralph Hamers _____
Name: Ralph Hamers
Title: Group Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS AG, a Swiss banking corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2022 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2023

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

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS Group AG, a Swiss corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2022 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2023

/s/ Sarah Youngwood _____
Name: Sarah Youngwood
Title: Group Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of UBS AG, a Swiss banking corporation (the "Company"), hereby certifies, to such officer's knowledge, that:

The Annual Report on Form 20-F for the year ended December 31, 2022 (the "Report") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m or 78o(d)) and information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 6, 2023

/s/ Sarah Youngwood _____
Name: Sarah Youngwood
Title: Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

Zurich, 06 March 2023

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in each of the following registration statements of UBS Group AG, UBS AG and their affiliates:

- (1) on Form F-3 (Registration Numbers 333-263376), and each related prospectus currently outstanding under such registration statement,
- (2) on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; 333-230312; and 333-249143), and each related prospectus currently outstanding under any of the aforementioned registration statements,
- (3) the base prospectus of Corporate Asset Backed Corporation (CABCO) dated 23 June 2004 (Registration Number 333-111572),
- (4) the Form 8-K of CABCO dated 23 June 2004 (SEC FileNumber 001-13444), and
- (5) the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated 10 May 2004 (Registration Number 033-91744) and 17 May 2004 (Registration Number 033-91744-05),

of our reports dated 03 March 2023, with respect to the consolidated financial statements of UBS Group AG and the effectiveness of internal control over financial reporting of UBS Group AG, included in this Annual Report (Form 20-F) for the year ended 31 December 2022, filed with the Securities and Exchange Commission.

/s/ Ernst & Young Ltd

Zurich, 06 March 2023

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in each of the following registration statements of UBS Group AG, UBS AG and their affiliates:

- (1) on Form F-3 (Registration Numbers 333-263376), and each related prospectus currently outstanding under such registration statement,
- (2) on Form S-8 (Registration Numbers 333-200634; 333-200635; 333-200641; 333-200665; 333-215254; 333-215255; 333-228653; 333-230312; and 333-249143), and each related prospectus currently outstanding under any of the aforementioned registration statements,
- (3) the base prospectus of Corporate Asset Backed Corporation (CABCO) dated 23 June 2004 (Registration Number 333-111572),
- (4) the Form 8-K of CABCO dated 23 June 2004 (SEC FileNumber 001-13444), and
- (5) the Prospectus Supplements relating to the CABCO Series 2004-101 Trust dated 10 May 2004 (Registration Number 033-91744) and 17 May 2004 (Registration Number 033-91744-05),

of our reports dated 03 March 2023, with respect to the consolidated financial statements of UBS AG and the effectiveness of internal control over financial reporting of UBS AG, included in this Annual Report (Form 20-F) for the year ended 31 December 2022, filed with the Securities and Exchange Commission.

/s/ Ernst & Young Ltd