



## Total loss-absorbing capacity instrument

<b>Issuer</b>	UBS Group Funding (Switzerland) AG
<b>Unique identifier</b>	144A: US90351DAA54 / RegS: USG91703AA90
<b>Issue Date</b>	24.09.2015
<b>Currency</b>	USD
<b>Nominal (million)</b>	1,500.0
<b>Coupon Rate</b>	2.95%
<b>Maturity Date</b>	24.09.2020
<b>Issuer Call</b>	n/a

Terms and conditions of the USD 1,500,000,000 2.95% Senior Notes due September 2020, as amended pursuant to the Official Notice relating thereto dated May 12, 2017

## TERMS AND CONDITIONS OF THE 2020 NOTES

The terms and conditions of the USD 1,500,000,000 2.95% Senior Notes due September 2020 issued by UBS Group Funding (Switzerland) AG and guaranteed by UBS Group AG are as follows:

### 1. DEFINITIONS

"**Additional Amounts**" has the meaning assigned to such term in Condition 8 (*Taxation*).

"**Agent Insolvency Event**" has the meaning assigned to such term in Condition 7 (*Payments; Agents*).

"**Agents**" means the Fiscal Agent, the Registrar and the Paying Agents.

"**Authorized Signatories**" means any two authorized officers of the Issuer signing jointly.

"**Bank Restructuring Event**" means the opening of Bank Restructuring Proceedings by the Swiss Resolution Authority.

"**Bank Restructuring Proceedings**" means Restructuring Proceedings with respect to UBS AG.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in New York and Zurich.

"**Calculation Amount**" means USD 1,000.

"**Certificate**" means a Global Certificate and/or a Definitive Certificate, as the case may be.

"**Chairperson**" has the meaning assigned to such term in Condition 14 (*Meetings of Holders*).

"**Current Issuer**" has the meaning assigned to such term in Condition 16 (*Issuer Substitution*).

"**Day Count Fraction**" means, in respect of any period, the number of days in the relevant period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30".

"**Definitive Certificate**" has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Depository"** means DTC or any other Relevant Clearing System designated as Depository by the Issuer; *provided, however*, that, irrespective of the number of Global Certificates outstanding, there will be no more than one Depository at any time.

**"Distribution Compliance Period"** means the 40-day period commencing on the later of the Issue Date and the date of commencement of the distribution of the Notes.

**"DTC"** means The Depository Trust Company.

**"Early Redemption Date"** has the meaning assigned to such term in Condition 6 (*Redemption and Purchase*).

**"Early Redemption Notice"** has the meaning assigned to such term in Condition 6 (*Redemption and Purchase*).

**"EU Savings Tax Directive"** means the European Council Directive 2003/48/EC of June 3, 2003, on taxation of savings income.

**"Event of Default"** has the meaning assigned to such term in Condition 11 (*Events of Default*).

**"Extraordinary Resolution"** means any resolution to (i) postpone the maturity beyond the stated maturity of any Notes, (ii) reduce the amount of principal payable on any Notes, (iii) change the date of any interest payment on any Notes, (iv) change the rate of interest or the method of computation of interest on any Notes, (v) change any provision for payment contained in these Terms and Conditions or the place or the currency of payment of the principal or interest on any Notes, (vi) amend or modify or waive the whole or any parts of Condition 11 (*Events of Default*) or clauses (f), (g), (h), (i) or (k) of Condition 14 (*Meetings of Holders*), (vii) convert any Notes into equity, (viii) create unequal treatment between Holders or (ix) change the choice of law and the jurisdiction clause contained in Condition 22 (*Governing Law and Jurisdiction*).

**"FINMA"** means the Swiss Financial Market Supervisory Authority FINMA and any successor thereto.

**"Fiscal Agency Agreement"** means the Fiscal Agency Agreement dated as of the Issue Date (as amended on May 24, 2017, and as may be further amended, supplemented or otherwise modified from time to time), among the Issuer, the Guarantor, the Fiscal Agent, the Paying Agent, the Registrar, the Swiss Paying Agent and the other Agents from time to time party thereto.

**"Fiscal Agent"** means Deutsche Bank Trust Company Americas, in its capacity as fiscal agent for the Notes, and includes any successor Fiscal Agent appointed in accordance with the Fiscal Agency Agreement.

**"Global Certificate"** means a Regulation S Global Certificate and/or a Rule 144A Global Certificate, as the case may be.

**"Group"** means UBS Group AG and its subsidiaries.

**"Guarantee"** has the meaning assigned to such term in Condition 4 (*Guarantee*).

**"Guarantor"** means UBS Group AG in its capacity as guarantor of the Notes.

**"Guarantor Restructuring Event"** means the opening of Guarantor Restructuring Proceedings by the Swiss Resolution Authority.

**"Guarantor Restructuring Proceedings"** means Restructuring Proceedings with respect to UBS Group AG.

**"Holder"** means, with respect to any Note, the Person in whose name the Certificate representing such Note is registered in the Register. For the avoidance of doubt, no Indirect Holder or other Person will be a Holder for the purpose of these Terms and Conditions, the Notes or the Guarantee or have any rights, or be owed any obligations by the Issuer or the Guarantor, under the Notes or the Guarantee, respectively.

**"Holders' Meeting"** has the meaning assigned to such term in Condition 14 (*Meetings of Holders*).

**"Indirect Holder"** means, with respect to any Note represented by a Global Certificate, any Person (other than the Holder) that owns a beneficial interest in such Note through a bank, broker or other financial institution that (a) participates in the book-entry system of DTC, Clearstream Banking, *société anonyme*, Euroclear Bank S.A./N.V., SIX SIS Ltd and/or any other clearing system (each, a **"Relevant Clearing System"**), or (b) holds an interest in such Note through a participant in the book-entry system of DTC and/or any other Relevant Clearing System. No Indirect Holder will have any rights, or be owed any obligations by the Issuer or the Guarantor, under the Notes or the Guarantee, respectively.

**"Interest Payment Date"** has the meaning assigned to such term in Condition 5 (*Interest*).

**"Interest Period"** means each period beginning on (and including) an Interest Payment Date (or, in the case of the first Interest Period, the Issue Date) and ending on (but excluding) the next Interest Payment Date.

**"Interest Rate"** means 2.95% per annum.

**"Intermediary"** has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Intermediated Securities"** has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Issue Date"** means September 24, 2015.

**"Issuer"** means UBS Group Funding (Switzerland) AG, in its capacity as issuer of the Notes.

**"Issuer Substitution"** means a Restructuring Issuer Substitution and/or a Voluntary Issuer Substitution, as the case may be.

**"Maturity Date"** means 24 September 2020.

**"Notes"** means the USD 1,500,000,000 2.95% Senior Notes due September 2020.

**"Ordinary Resolution"** means any resolution that is not an Extraordinary Resolution.

**"Paying Agent"** has the meaning assigned to such term in Condition 7 (*Payments; Agents*).

**"Person"** means any individual, corporation, bank, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof.

**"Protective Measures"** means any protective measures that the Swiss Resolution Authority may order pursuant to any statutory power set forth in article 26 of the Swiss Banking Act, or in any successor Swiss law or regulation or analogous Swiss law or regulation applicable to bank holding companies incorporated under the laws of Switzerland such as UBS Group AG, including, without limitation, (a) giving instructions to the governing bodies of the relevant entity, (b) appointing an investigator, (c) stripping governing bodies of their power to legally represent the relevant entity or remove them from office, (d) removing the regulatory or company-law audit firm from office, (e) limiting the respective entity's business activities, (f) forbidding the respective entity to make or accept payments or undertake security trades, (g) closing down the respective entity, or (h) except for with respect to mortgage-secured receivables of central mortgage bond institutions, ordering a moratorium or deferral of payments.

**"QIB"** has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Register"** has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Registrar"** means Deutsche Bank Trust Company Americas, in its capacity as registrar for the Notes, and includes any successor Registrar appointed in accordance with the Fiscal Agency Agreement.

**"Regulation S Global Certificate"** has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Relevant Clearing System"** has the meaning assigned to such term in the definition of the term "Indirect Holder" in this Condition 1.

**"Relevant Date"** means, with respect to any payment, (a) the date on which such payment first becomes due under the Notes (the **"Scheduled Due Date"**), or (b) if the full amount of the money payable on the Scheduled Due Date has not been received by the Fiscal Agent on or before the Scheduled Due Date, the date on which the full amount of the money due on the Scheduled Due Date has been received by the Fiscal Agent.

**"Replacement Notes"** has the meaning assigned to such term in Condition 6 (*Redemption and Purchase*).

**"Replacement Notes Issuer"** has the meaning assigned to such term in the definition of the term "Replacement Notes".

**"Restoration Event"** has the meaning assigned to such term in Condition 6 (*Redemption and Purchase*).

**"Restructuring Deferral Period"** has the meaning assigned to such term in Condition 7 (*Payments; Agents*).

**"Restructuring Event"** means a Bank Restructuring Event or a Guarantor Restructuring Event, as applicable.

**"Restructuring Issuer Substitution"** has the meaning assigned to such term in Condition 16 (*Issuer Substitution*).

**"Restructuring Issuer Substitution Date"** has the meaning assigned to such term in Condition 16 (*Issuer Substitution*).

**"Restructuring Proceedings"** means restructuring proceedings within the meaning of article 28 et seq. of the Swiss Banking Act or any successor Swiss law or regulation or analogous Swiss law or regulation applicable to banks or bank holding companies incorporated under the laws of Switzerland such as UBS Group AG.

**"Restructuring Protective Measures"** means any Protective Measures ordered by the Swiss Resolution Authority with respect to UBS Group AG that are ordered or confirmed upon the opening of or during any Guarantor Restructuring Proceedings.

**"Rule 144A"** has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Rule 144A Global Certificate"** has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

**"Scheduled Due Date"** has the meaning assigned to such term in the definition of the term "Relevant Date".

**"Specified Office"** means (i) in the case of Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent and Registrar, Trust and Agency Services, 60 Wall Street, 16th Floor, New York, New York 10005, USA, (ii) in the case of UBS AG, as Swiss Paying Agent, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, (iii) in the case of any other Agent, such office as is notified by the Issuer to the Holders in writing in accordance with Condition 13 (*Notices*) as soon as practicable after the appointment of such Agent, and (iv) in the case of any Agent, such

other office as it may designate from time to time by providing notice to the Issuer and the Holders in writing in accordance with Condition 13 (*Notices*).

"**Substitute Issuer**" has the meaning assigned to such term in Condition 16 (*Issuer Substitution*).

"**Substitution Documents**" has the meaning assigned to such term in Condition 16 (*Issuer Substitution*).

"**Swiss Banking Act**" means the Swiss Federal Banking Act of November 8, 1934, as may be amended from time to time.

"**Swiss Banking Insolvency Ordinance**" means the Ordinance of August 30, 2012 of FINMA on the Insolvency of Banks and Securities Dealers, as may be amended from time to time.

"**Swiss Code**" means the Swiss Code of Obligations, as may be amended from time to time.

"**Swiss Paying Agent**" has the meaning assigned to such term in Condition 7 (*Payments; Agents*).

"**Swiss Resolution Authority**" means FINMA or any other authority in Switzerland that is competent under Swiss law to exercise a Swiss Resolution Power or to order Protective Measures at the relevant time.

"**Swiss Resolution Power**" means any statutory power of the Swiss Resolution Authority that it may exercise during Restructuring Proceedings as set forth in article 28 et seq. of the Swiss Banking Act and article 40 et seq. of the Swiss Banking Insolvency Ordinance, or in any successor Swiss law or regulation or analogous Swiss law or regulation applicable to bank holding companies incorporated under the laws of Switzerland such as UBS Group AG, including, without limitation, the power to (a) transfer the assets of the entity subject to such Restructuring Proceedings, or portions thereof, together with such entity's debt, other liabilities and contracts, or portions thereof, to another entity, (b) stay (for a maximum of 48 hours) the termination of, and the exercise of rights to terminate relating to, financial contracts to which the entity subject to such Restructuring Proceedings is a party, (c) convert the debt of the entity subject to such Restructuring Proceedings into equity, and/or (d) partially or fully write-down the obligations of the entity subject to such Restructuring Proceedings.

"**Tax Event**" has the meaning assigned to such term in Condition 6 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Jersey and/or Switzerland.

"**Taxes**" has the meaning assigned to such term in Condition 8 (*Taxation*).

"**U.S. Exchange Act**" has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

"**U.S. Securities Act**" has the meaning assigned to such term in Condition 2 (*Amount and Denomination; Form and Transfer*).

"**USD**" means United States dollars.

"**Voluntary Issuer Substitution**" has the meaning assigned to such term in Condition 16 (*Issuer Substitution*).

## 2. **AMOUNT AND DENOMINATION; FORM AND TRANSFER**

### (a) *Amount and denomination*

The initial aggregate principal amount of the Notes is USD 1,500,000,000. The Notes are issued to Holders in minimum denominations of USD 200,000 and integral multiples of USD 1,000 in excess thereof.

### (b) *Form*

#### (i) *Global Certificates*

The Notes are issued in registered form and are initially represented by Global Certificates. The Notes that are initially sold in an "offshore transaction" within the meaning of Regulation S of the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), are initially represented by a permanent registered global certificate (each, a "**Regulation S Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. The Notes that are initially sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A under the U.S. Securities Act ("**Rule 144A**") are initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. The form of Rule 144A Global Certificate and the form of Regulation S Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon request.

The aggregate principal amount of the Notes represented by each of the Global Certificates may from time to time be increased or decreased by adjustments made on the records of the Registrar. Every Global Certificate shall have affixed a schedule for the purpose of recording adjustments in the aggregate principal amount thereof; *provided, however*, that, in the event of a discrepancy between the principal amounts recorded on such schedule and the amounts listed on the records of the Registrar, the principal amounts listed on the records of the Registrar will control. Any beneficial interest of an Indirect Holder in any Note represented by one of the Global Certificates that is transferred to a Person who takes delivery in the form of a beneficial interest in such Note represented by another Global Certificate will, upon transfer, cease to be a beneficial interest in such first Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Certificate for as long as it retains such an interest.

The Holder of a Global Certificate may grant proxies and otherwise authorize any Person, including participants of DTC or another Relevant Clearing System and Persons that may hold interests through such participants, to take any action which a Holder is entitled to take under these Terms and Conditions or the Notes.

(ii) *Definitive Certificates*

Definitive Notes in registered form (each, a "**Definitive Certificate**") shall be issued, and a Global Certificate will be exchanged, in whole, but not in part, for Definitive Certificates, if (and only if):

- (A) the Depository notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to some or all of the Global Certificates, or ceases to be a "clearing agency" registered under the U.S. Securities and Exchange Act of 1934, as amended (the "**U.S. Exchange Act**");
- (B) at any time the Depository is no longer eligible to act as such, or the Notes cease for any reason to be eligible for clearing through the Depository, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the Depository or of the Notes, as the case may be, from or behalf of the Depository; or
- (C) issuance of the Definitive Notes is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Notes; or
- (D) the Issuer provides its consent.

If a Global Certificate is to be exchanged for Definitive Certificates pursuant to this Condition 2(b)(ii), the Issuer shall procure the prompt delivery (free of charge) of Definitive Certificates to the Fiscal Agent, duly executed without coupons, registered in the names of the relevant Indirect Holders, addresses and denominations (in minimum denominations of USD 200,000 and in multiples of USD 1,000 in excess thereof) provided in a written notice to be given by the Depositary or the Issuer to the Fiscal Agent (which notice shall be given subject to the Depositary's procedures and also specify the taxpayer identification number, if any, of each Person in whose name such Definitive Certificates are to be registered). Upon written direction of the Issuer, the Fiscal Agent will deliver such Definitive Certificates to the Holders thereof not later than five Business Days after receipt by the Fiscal Agent of the written notice provided by the Depositary (or the Issuer, as applicable) referred to above (and any other necessary information as the Fiscal Agent may reasonably request from the Issuer at such time). The Fiscal Agent shall promptly cancel and deliver to the Issuer the surrendered Global Certificates. The form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Rule 144A Global Certificate and the form of Definitive Certificate that will be issued in exchange for a beneficial interest in a Note represented by a Regulation S Global Certificate are set out in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon request.

(c) *Transfer*

(i) *General*

Subject to Conditions 2(c)(ii) and 2(c)(iii), title to the Notes shall pass on transfer by assignment (*Zession*) and due registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the "**Register**"). All transfers of Notes and entries on the Register will be made subject to the provisions concerning transfers of Notes set forth in the Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon written request.

Transfers of Notes, or of beneficial interests in Notes represented by Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Global Certificate or Definitive Note, and the Registrar will not be required to accept for registration of transfer any Note or beneficial interests in Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.

Transfers of Notes and the issue of new Certificates on transfer shall be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to the transfer (or the giving of such indemnity as the Fiscal Agent or the Registrar may require) by the Holder.

No Holder may require the transfer of a Note to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of the Notes pursuant to Condition 6 (*Redemption and Purchase*), or (ii) during the period of 15 days ending on (and including) any record date for Interest Payment Date.

No Person (including any Indirect Holder) other than the Holder(s) will have any rights, or be owed any obligations by the Issuer or the Guarantor, under the Notes or the Guarantee, respectively.

(ii) *Transfer of Notes represented by a Global Certificate*

The Global Certificates may be transferred only in whole, but not in part, and only to DTC or any other Relevant Clearing System or any of their respective successors or nominees except as provided below. Beneficial interests of Indirect Holders in Notes represented by the Global Certificates shall be transferred in accordance with the rules



and procedures of DTC and each other Relevant Clearing System, the provisions of the Fiscal Agency Agreement and these Terms and Conditions.

A beneficial interest in a Note represented by a Regulation S Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Rule 144A Global Certificate during the Distribution Compliance Period, only if such exchange occurs in connection with a transfer of beneficial interests in the Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the beneficial interests in the Notes are being transferred to a Person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the U.S. Securities Act, purchasing the beneficial interests in the Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

A beneficial interest in a Note represented by a Rule 144A Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Note represented by a Regulation S Global Certificate, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the transfer is being conducted in compliance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act.

(iii) *Transfer of Notes represented by a Definitive Certificate*

- (A) If and when Definitive Certificates have been issued pursuant to Condition 2(b), one or more Notes may be transferred only in accordance with the legends set forth upon the face of the relevant Definitive Certificate and only upon the surrender (at the Specified Office of the Registrar) of the Definitive Certificate representing such Notes to be transferred, together with the form of transfer attached to such Definitive Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Fiscal Agent and the Registrar may reasonably require. A new Definitive Certificate shall be issued to the transferee in respect of the Notes the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Notes represented by one Definitive Certificate, a new Definitive Certificate in respect of the balance of the Notes not transferred shall be issued to the transferor. In the case of a transfer of Notes to a Person who is already a Holder, a new Definitive Certificate representing the enlarged holding may be issued but only against surrender of the Definitive Certificate representing the existing holding of such Person.
- (B) Each new Definitive Certificate to be issued pursuant to Condition 2(c)(iii)(A) shall be available for delivery within three business days of receipt of the form of transfer and surrender of the relevant Definitive Certificate. Delivery of new Definitive Certificate(s) shall be made at the Specified Office of the Fiscal Agent to whom delivery and surrender of such form of transfer and Definitive Certificate or, as the case may be, surrender of such Definitive Certificate, shall have been made or, at the option of the relevant Holder and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Definitive Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c)(iii)(B), "business day" means a day, other than a Saturday or Sunday, on which banks are open for

business in the place of the Specified Office of the Fiscal Agent and the Registrar.

(iv) *Rule 144A*

Each Note that is initially sold in the United States to a QIB will not be registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be sold, pledged or otherwise transferred, except (w) in accordance with Rule 144A to a Person that the Holder and any Person acting on its behalf reasonably believe is a QIB that is acquiring the Notes for its own account or for the account of one or more QIBs, (x) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the U.S. Securities Act, (y) pursuant to an exemption from registration under Rule 144 under the U.S. Securities Act, if available or (z) pursuant to an effective registration statement under the U.S. Securities Act, in each case, in accordance with any applicable securities laws of any state of the United States.

3. **STATUS OF THE NOTES**

The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* and without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, except for such obligations that are preferred in accordance with applicable law at the relevant time.

4. **GUARANTEE**

(a) *Guarantee of the Notes*

The Guarantor has, pursuant to and in accordance with the terms and conditions of a guarantee dated September 24, 2015, as amended on May 24, 2017, and governed by Swiss law (the "**Guarantee**"), undertaken for the benefit of the Holders irrevocably and unconditionally to guarantee the payment of principal and interest and any other amounts due under the Notes. Upon the occurrence of an Issuer Substitution pursuant to which the Guarantor is substituted for the Issuer in accordance with Condition 16 (*Issuer Substitution*), the Guarantee will cease to exist, except to the extent described therein.

(b) *Consolidation, merger or sale*

The Guarantor has agreed pursuant to the Guarantee that it will not consolidate with, merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than with, into or to the Issuer or any other Person of which at least 95% of such Person's capital and voting rights are held, directly or indirectly, by the Guarantor) or permit any Person to merge with or into the Guarantor unless (i) the Guarantor will be the continuing Person, or (ii) the Person formed by such consolidation or into which the Guarantor is merged or that acquired such property and assets of the Guarantor expressly assumes in writing (or, in the case of an acquisition of property and assets, guarantees) all of the obligations of the Guarantor under the Guarantee.

5. **INTEREST**

(a) *Interest Payment Dates*

The Notes will bear interest on their principal amount at the Interest Rate from (and including) the Issue Date to (but excluding) (i) if the Notes are early redeemed pursuant to clause (b) or (c) of Condition 6 (*Redemption and Purchase*), the applicable Early Redemption Date, or (ii) otherwise, the Maturity Date; *provided, however*, that if (upon due presentation thereof where presentation is required) payment with respect to any Note is improperly withheld or refused on such Early Redemption Date or the Maturity Date, as the case may be, interest will continue to accrue on the principal amount of such

Note (both before and after judgment) at the Interest Rate to (but excluding) the Relevant Date.

Interest on the Notes will be payable semi-annually in arrear on March 24 and September 24 of each year (each, an "**Interest Payment Date**"), commencing on March 24, 2016.

(b) *Calculation of amount of interest per Calculation Amount*

- (i) The amount of interest payable on each Interest Payment Date in respect of the Notes will be USD 14.75 per Calculation Amount.
- (ii) If interest is required to be paid in respect of a Note on any other date, the amount of interest payable per Calculation Amount will be calculated by:
  - (A) applying the Interest Rate to the Calculation Amount;
  - (B) multiplying the product thereof by the Day Count Fraction; and
  - (C) rounding the resulting figure to the nearest USD 1.00 (half a cent being rounded upwards).

(c) *Calculation of amount of interest per Note*

The amount of interest payable in respect of a Note will be the product of:

- (i) the amount of interest per Calculation Amount; and
- (ii) the number by which the Calculation Amount is required to be multiplied to equal the principal amount of such Note.

6. **REDEMPTION AND PURCHASE**

(a) *Final redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on the Maturity Date at their aggregate principal amount, together with accrued and unpaid interest thereon to (but excluding) the Maturity Date, if any.

(b) *Early redemption due to a Tax Event*

- (i) Subject to clause (d) of this Condition 6, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Early Redemption Date at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Early Redemption Date.
- (ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes or (if a demand were to be made under the Guarantee) the Guarantor in making any payments under the Guarantee (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes or the Guarantee, as applicable, in the case of each of subclauses (A) and (B) of this clause (ii), as a result of any changes in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing by taking measures reasonably available to it.

(c) *Early redemption due to a Restoration Event*

(i) Subject to clause (d) of this Condition 6, upon the occurrence of a Restoration Event, if the Notes have not been fully written-down and/or converted into equity of UBS Group AG, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Early Redemption Date by

(A) subject to subclause (ii) of this Condition 6(c), delivering to the Holders, in lieu of cash, one Replacement Note per Note held (in the case of Notes represented by Definitive Certificates, against presentation and surrender of the relevant Definitive Certificate); and

(B) paying to the Holders in cash any accrued and unpaid interest on the Notes to, but excluding, the relevant Early Redemption Date (but only to the extent that such interest has not been written-down and cancelled or converted into equity of UBS Group AG in connection with the relevant Guarantor Restructuring Proceedings),

in each case on the relevant Early Redemption Date.

Upon such delivery and payment, the Issuer's obligations in respect of the Notes will be discharged (and, in the case of Notes represented by Definitive Certificates, no further payment will be made on, and the Issuer will have no further obligations in respect of, such Notes, pending their presentation and surrender in accordance with this Condition 6(c)).

(ii) No fractions of Replacement Notes will be delivered to the Holders pursuant to subclause (i)(A) of this Condition 6(c). Instead, the aggregate amount of Replacement Notes to be delivered to any Holder will be rounded down to the nearest USD 1,000 and the Issuer will pay a cash amount in USD to such Holder equal to the fractional amount of the principal amount of such Replacement Notes so rounded down, *provided* that, if the relevant amount in USD is not an integral multiple of USD 1.00, it will be rounded to the nearest whole or multiple of USD 1.00 (with half a cent being rounded upwards).

(iii) "**Replacement Notes**" means securities (A) to be issued by UBS Group Funding (Switzerland) AG or any other subsidiary of UBS Group AG of which at least 95% of such subsidiary's capital and voting rights are held, directly or indirectly, by UBS Group AG (such subsidiary, the "**Replacement Notes Issuer**"), with the benefit of a guarantee issued by UBS Group AG on substantially similar terms as the Guarantee, (B) otherwise having the same terms as the Notes (including, without limitation, the same denomination per Note) at the time of the relevant Early Redemption Date (for the avoidance of doubt, including those terms relating to the Guarantee that were applicable prior to the occurrence of the Issuer Substitution pursuant to which UBS Group AG became principal debtor under the Notes), (C) having an aggregate principal amount equal to the aggregate principal amount of the Notes outstanding on the relevant Early Redemption Date and (D) on which interest will begin to accrue from and including the relevant Early Redemption Date (*i.e.*, the issue date of the Replacement Notes); *provided, however*, that, if the Replacement Notes Issuer is organized under the laws of, or a resident for tax purposes in, a jurisdiction other than a Tax Jurisdiction, the terms of the Replacement Notes contain such provisions as may be necessary to ensure that each Holder has the benefit of an undertaking on terms corresponding to the provisions of Condition 8 (*Taxation*) with respect to such jurisdiction in relation to the payment of all amounts due and payable under, or in respect of, the Replacement Notes and in relation to the guarantee thereof.

(iv) A "**Restoration Event**" will have occurred if, following a Restructuring Event, the Swiss Resolution Authority publishes a notice stating that the Guarantor Restructuring Proceedings have been lifted or completed; *provided, however*, that if the Restructuring Event occurred as a result of Bank Restructuring Proceedings only, and no Guarantor Restructuring Event has since occurred, then a "**Restoration Event**" is deemed to have

occurred if, following a Restructuring Event, the Swiss Resolution Authority publishes a notice stating that the Bank Restructuring Proceedings have been lifted or completed.

(d) *Conditions for early redemption*

- (i) If the Issuer elects to redeem the Notes pursuant to clause (b) or (c) of this Condition 6, the Issuer shall give the Holders not less than 30 and not more than 60 days' prior notice in accordance with Condition 13 (*Notices*) (an "**Early Redemption Notice**"), which notice will, subject to clause (v) of this Condition 6(d), be irrevocable and must specify (x) the clause of this Condition 6 pursuant to which the redemption is to be made, (y) if any Definitive Certificates have been issued, the method by which Notes to be redeemed will be tendered, and (z) the date (which shall be a Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 6 (such specified date, the "**Early Redemption Date**").
- (ii) The Issuer may only redeem the Notes pursuant to clause (b) or (c) of this Condition 6 if FINMA has approved such redemption on or prior to the relevant Early Redemption Date, if such approval is then required under applicable Swiss laws and regulations.
- (iii) If the Issuer elects to redeem the Notes pursuant to clause (b) of this Condition 6, then prior to the publication of the relevant Early Redemption Notice pursuant to clause (i) of this Condition 6(d), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Authorized Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (b) of this Condition 6 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders.
- (iv) The Issuer may only redeem the Notes pursuant to clause (c) of this Condition 6 if (A) an exemption exists from the requirement to register the Replacement Notes Issuer as an investment company under the U.S. Investment Company Act and the requirement to register the Replacement Notes under the Securities Act, (B) the Issuer has made all such filings and obtained all necessary governmental and other approvals and consents for such redemption and issuance of the guarantee in relation to the Replacement Notes, and the Replacement Notes Issuer has made all such filings and obtained all necessary governmental and other approvals and consents for issuance of the Replacement Notes and the performance of its obligations thereunder, (C) the Issuer has obtained legal opinions containing no untoward qualifications from independent legal advisors in Switzerland and the country in which the Replacement Notes Issuer is incorporated to the effect that the obligations of the Replacement Notes Issuer and the Issuer under the Replacement Notes and the guarantee thereof, respectively, are its legal, valid and binding obligations, and that all consents and approvals described in subclause (B) of this clause (iv) have been obtained, (D) if the Replacement Notes Issuer is not organized under the laws of Switzerland, the Replacement Notes Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Replacement Notes, and (E) no Issuer Substitution has occurred since the relevant Restoration Event.
- (v) Notwithstanding the foregoing, if the Issuer has delivered an Early Redemption Notice pursuant to this Condition 6, but, prior to the payment of the redemption amount with respect to such redemption, a Restructuring Event occurs, then such Early Redemption Notice will be automatically rescinded and will be of no force and effect, such redemption will be cancelled, payment of the redemption amount in respect of such Early Redemption Notice will no longer be due and payable and no such redemption of the Notes will take place.

(e) *Purchases*

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided* that, other than in the case of purchases made in connection with stabilization measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable

Swiss laws and regulations) on or prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or surrendered to the Fiscal Agent for cancellation.

(f) *Cancellation*

All Notes redeemed in accordance with this Condition 6 will be cancelled and may not be reissued or resold. All Notes purchased and surrendered to the Fiscal Agent pursuant to clause (e) of this Condition 6 shall be immediately cancelled upon surrender and may not be reissued or sold.

7. **PAYMENTS; AGENTS**

- (a) All payments required to be made under the Notes will be made available in good time in freely disposable USD, which will be placed at the free disposal of the Fiscal Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Business Day, then the Holders will not be entitled to payment thereof until the first Business Day immediately following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, without limitation, any Additional Amounts) shall be made to the Holders in USD without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfillment of any other formality; *provided, however*, that, in the case of Definitive Certificates, such Notes must be presented and, in the case of redemption, surrendered at the Specified Office of the relevant Paying Agent as a condition to receipt of any such payment.
- (b) The receipt by the Fiscal Agent of the due and punctual payment of funds in USD will release the Issuer from its obligations under the Notes to the extent of such payment.
- (c) Subject to clause (d) of this Condition 7,
- (i) the Issuer and the Guarantor reserve the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**"), *provided* that (A) so long as any Note is outstanding, there will at all times be a Fiscal Agent and a Registrar, and (B) for so long as the Notes are listed on the SIX Swiss Exchange, the Issuer and the Guarantor shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a duly licensed Swiss bank or securities dealer or otherwise be subject to supervision by FINMA, to perform the functions of a Swiss paying agent (the "**Swiss Paying Agent**"); and
- (ii) if at any time the Fiscal Agent (or any Paying Agent, if such Paying Agent is the only Paying Agent located in a place where the Issuer is required to maintain a Paying Agent under these Terms and Conditions) or the Registrar (x) becomes incapable of acting, or (y) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of all or any substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property is appointed, or if any public officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation (any such event, an "**Agent Insolvency Event**"), then the Issuer and the Guarantor will terminate the appointment of such Agent in accordance with the Fiscal Agency Agreement and appoint a successor Agent.
- (d) Any appointment or termination of appointment of, or any resignation by, any Agent may only take effect not more than 45 and not less than 30 days after the Issuer has

notified the Holders of such appointment, termination or resignation pursuant to Condition 13 (*Notices*); *provided, however*, that, in the case of the termination of an Agent with respect to which an Agent Insolvency Event has occurred, such termination may take effect prior the expiry of such 30-day notice period, so long as a successor Agent has been appointed to the extent required by the immediately succeeding sentence. Notwithstanding the foregoing, any termination of the appointment of, or resignation by, the Fiscal Agent (or any Paying Agent, if such Paying Agent is the only Paying Agent located in a place where the Issuer is required to maintain a Paying Agent under these Terms and Conditions) or Registrar may not take effect until the Issuer and the Guarantor have appointed a successor Fiscal Agent (or Paying Agent) or Registrar, as applicable; *provided, however*, that, if no such successor has been appointed within 30 days of the scheduled effectiveness of such termination or resignation, any Holder (on behalf of itself and all others similarly situated) or, pursuant to and in accordance with the Fiscal Agency Agreement, the Fiscal Agent (or Paying Agent) or Registrar, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor, at the expense of the Issuer.

- (e) Should the Swiss Resolution Authority order any Restructuring Protective Measures that result in the deferment of any payments of principal of, and/or interest on, the Notes when otherwise due and payable, such payments will be deferred for the period for which the Swiss Resolution Authority requires any such deferment (with respect to any such payment, the "**Restructuring Deferral Period**"), and the Holders will not be entitled to any additional sum in relation to such deferred payment. Any payment of principal of, and/or interest on, the Notes that was due or became due, or which would otherwise have become due, but was not paid in accordance with the immediately preceding sentence will be payable (only to the extent such principal and/or interest was not subsequently fully or partially written-down and cancelled and/or converted into equity of UBS Group AG during the relevant Guarantor Restructuring Proceedings) on the later of (i) the first Interest Payment Date immediately following the relevant Restructuring Deferral Period and (ii) the date that is 30 days after the date on which the relevant Restructuring Deferral Period ended. If the Swiss Resolution Authority orders any Restructuring Protective Measures that result in the deferment of any payments of principal of, and/or interest on, the Notes when otherwise due and payable, the Issuer will provide written notice to the Fiscal Agent and the Holders of such order and deferral in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

## 8. TAXATION

- (a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, amounts paid by the Guarantor under the Guarantee and payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.
- (b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, amounts paid by the Guarantor under the Guarantee and payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").
- (c) No Additional Amounts will be payable by the Issuer or the Guarantor pursuant to clause (b) of this Condition 8 in relation to any Note:

- (i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or
  - (ii) if such Taxes are a result of such Note having been presented for payment (where presentment is required) more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to receive the Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or
  - (iii) where such withholding or deduction is required to be made pursuant to the EU Savings Tax Directive, or any law implementing or complying with, or introduced in order to conform to, the EU Savings Tax Directive or pursuant to any agreements between the European Community and any other country or territory, or any law implementing or complying with such agreements, providing for measures equivalent to those laid down in the EU Savings Tax Directive; or
  - (iv) if the relevant Holder would have been able to avoid such withholding or deduction by arranging to receive payment through, or presenting such Note (where presentment is required) to, another Paying Agent (if more than one is appointed) in another Member State of the European Union; or
  - (v) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code ("**FATCA**"); or
  - (vi) where such withholding or deduction is required to be made pursuant to an agreement between Switzerland and another country or countries on final withholding taxes levied by Swiss paying agents in respect of Persons resident in the other country or countries on income of such Person on Notes booked or deposited with a Swiss paying agent (*Abgeltungssteuer*); or
  - (vii) if a Restoration Event has occurred and (A) the Issuer has exercised its right to early redeem the Notes pursuant to clause (c) of Condition 6 (*Redemption*), and (B) the relevant Early Redemption Date is no more than 115 Business Days after the date on which such Restoration Event occurred, where such withholding or deduction is imposed on any payment to the Holders of any accrued and unpaid interest on the Notes up to (and including) the date immediately prior to the relevant Early Redemption Date; or
  - (viii) to the extent any combination of clauses (i) through (vii) above applies.
- (d) Any reference in these Terms and Conditions to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 8 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 8.

## 9. **STATUTE OF LIMITATIONS**

In accordance with Swiss law, (a) claims for interest payments under the Notes will become time-barred after the five-year period and (b) claims for the repayment or redemption of Notes will become time-barred after the ten-year period, in each case, commencing on the date on which such payments, repayment or redemption become due and payable.

## 10. **CONSOLIDATION, MERGER OR SALE**

The Issuer will not consolidate with, merge with or into, or sell, convey, transfer or otherwise dispose of all or substantially all of its property and assets (as an entirety or substantially as an entirety in one transaction or a series of related transactions) to, any Person (other than with, into or to UBS Group AG or any Person of which at least 95% of such Person's capital and voting



rights are held, directly or indirectly, by UBS Group AG) or permit any Person to merge with or into the Issuer unless (a) the Issuer will be the continuing Person, or (b) the Person formed by such consolidation or into which the Issuer is merged or that acquired such property and assets of the Issuer expressly assumes in writing (or, in the case of an acquisition of property and assets, guarantees) all of the obligations of the Issuer under the Notes.

## 11. **EVENTS OF DEFAULT**

Each of the following events will constitute an "**Event of Default**":

- (a) the Issuer fails to pay the principal amount of, or any interest on, any Note if and when the same becomes due and payable under the Notes, and such failure continues unremedied by the Issuer or the Guarantor for a period of 30 days; or
- (b) the Issuer or the Guarantor fails to observe or perform any other covenant, condition, or agreement contained in these Terms and Conditions or the Guarantee, respectively, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or
- (c) any order is made by any competent court or other authority or resolution passed by the Issuer or the Guarantor for the dissolution or winding-up of the Issuer or the Guarantor, as applicable, or for the appointment of a liquidator, receiver, administrator or manager of the Issuer or the Guarantor, as applicable, or of all or a substantial part of their respective assets, or anything analogous occurs, in any jurisdiction, to the Issuer or the Guarantor, other than in connection with a solvent reorganization, reconstruction, amalgamation or merger; or
- (d) the Issuer or the Guarantor stops payment or is unable to, or admits to creditors generally its inability to, pay its debts as they fall due, or is adjudicated or found bankrupt or insolvent, or enters into any composition or other arrangements with its creditors generally; or
- (e) unless the Guarantor has been substituted for the Issuer as principal debtor under the Notes pursuant to an Issuer Substitution in accordance with Condition 16 (*Issuer Substitution*) or the Issuer and the Guarantor have merged, the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect;

*provided, however*, that neither (i) a Guarantor Restructuring Event, nor (ii) the exercise of any Swiss Resolution Power with respect to UBS Group AG that requires or results in any write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of, the principal of, and/or accrued interest on, the Notes, nor (iii) the ordering of any Restructuring Protective Measures that require or result in the deferment of payment of principal and/or interest in respect of the Notes nor (iv) any consequences resulting from any of the foregoing will constitute a default or an Event of Default. For the avoidance of doubt, any consequences resulting from any Protective Measures ordered by the Swiss Resolution Authority with respect to UBS Group AG that are ordered outside of and independently of any Guarantor Restructuring Proceedings that would otherwise constitute a default or an Event of Default will constitute a default or an Event of Default, as applicable.

If an Event of Default has occurred and is continuing, the Holders of at least 25% in aggregate principal amount of the outstanding Notes may, by notice in writing given to the Fiscal Agent at its Specified Office, declare all the Notes to be immediately due and payable, whereupon they will become immediately due and payable at their principal amount together with accrued interest (if any) thereon to the date of repayment without further formality unless such Event of Default has been remedied prior to the receipt of such notice by the Fiscal Agent, and the Fiscal Agent has actual knowledge of such remedy.

## 12. **REPLACEMENT**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the fees, costs and expenses incurred by the Registrar and the Issuer in connection therewith and on such terms as to

evidence, security and indemnity (which may provide, among other things, that if the Certificate allegedly or actually lost, stolen or destroyed is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Certificate subsequently presented) as the Issuer or the Fiscal Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

### 13. **NOTICES**

So long as the Notes are listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer (a) by means of electronic publication on the internet website of the SIX Swiss Exchange ([www.six-swiss-exchange.com](http://www.six-swiss-exchange.com)), where notices are currently published under the address [www.six-swiss-exchange.com/news/official\\_notices/search\\_en.html](http://www.six-swiss-exchange.com/news/official_notices/search_en.html), or (b) otherwise in accordance with the regulations of the SIX Swiss Exchange. Any notice will be deemed to be validly given on the date of such publication or, if published more than once, on the date of the first such publication.

If the Notes are for any reason no longer listed on the SIX Swiss Exchange, notices to Holders will be valid if published (a) in a leading daily newspaper published in Switzerland (which is expected to be the *Neue Zuercher Zeitung*) and (b) on the website of UBS Group AG. Any such notice will be deemed to be validly given on the date of publication or, if published more than once, on the date of the first such publication.

While the Notes are represented by one or more Global Certificates deposited with a custodian for DTC, notices to Indirect Holders will also be given through the Fiscal Agent to DTC for forwarding to the Indirect Holders. Any such notice will be deemed to be validly given on the date of delivery to DTC.

### 14. **MEETINGS OF HOLDERS**

- (a) A meeting of the Holders (a "**Holders' Meeting**") (i) may be convened at any time by the Issuer or the Guarantor and (ii) shall be convened by the Issuer if required in writing by Holders who (x) hold not less than 10% of the aggregate principal amount of the Notes then outstanding and (y) are entitled to participate and vote at a Holders' Meeting pursuant to clauses (f) and (h) of this Condition 14. In the case of subclause (ii) of this Condition 14(a), upon receipt of written notice from such Holders that a Holders' Meeting is required, the Issuer shall convene such a meeting as soon as commercially possible.
- (b) The costs for any Holders' Meeting will be borne by the Issuer, unless the Issuer was required to convene such Holders' Meeting by Holders, in which case, the Holders that required the convening of such meeting will bear the costs therefor (with each such Holder bearing the same percentage of such costs as the percentage it held of the aggregate principal amount of the Notes held by all Holders requesting such meeting at the time of such request).
- (c) A Holders' Meeting may consider any matter affecting the interests of the Holders, including, without limitation, any modification of, or arrangement in respect of, these Terms and Conditions, the Notes or the Guarantee.
- (d) Notice convening a Holders' Meeting shall be given at least 20 calendar days prior to the proposed date thereof. Such notice must (i) be given in accordance with Condition 13 (*Notices*), (ii) state generally the nature of the business to be transacted at such Holders' Meeting, (iii) if an Extraordinary Resolution is being proposed, contain the wording of the proposed resolution or resolutions, and (iv) specify the date, time and location of such Holders' Meeting and the formal requirements described in clause (f) of this Condition 14. The Issuer (at its head office) and the Fiscal Agent (at its Specified Office) will make a copy of any such notice available for inspection by the Holders during normal business hours upon written request by the relevant Holder.
- (e) All Holders' Meetings will be held in Zurich, Switzerland. The chairperson to lead and preside over any Holders' Meeting (the "**Chairperson**") may be nominated by the Issuer

or the Guarantor in writing. If no Person has been so nominated or if the nominated Person is not present at the Holders' Meeting within 30 minutes after the time fixed for such Holders' Meeting, the Holders present shall choose the Chairperson.

It will be the Chairperson's duty to determine the presence of Persons entitled to vote at the Holders' Meeting and whether a quorum is present in accordance with clause (g) of this Condition 14. The Chairperson will instruct the Holders as to the procedure of the Holders' Meeting and the resolutions to be considered. The Chairman will sign the minutes referred to in clause (l) of this Condition 14.

In the case of a tie vote, the Chairperson will have the deciding vote.

A declaration by the Chairperson that a quorum is present in accordance with clause (g) of this Condition 14 or that a resolution has been supported or not been supported by the percentage of votes cast required by clause (i) of this Condition 14 will be conclusive and binding.

- (f) Each Person who produces a Note or a certificate by a bank relating to the relevant Holders' Meeting is entitled to attend and to vote on the resolutions proposed at such Holders' Meeting. Any such certificate must (i) be dated before the date of the relevant Holders' Meeting, (ii) confirm that the relevant Notes are deposited in a securities account (*Effektenkonto*) with the certifying bank and will remain so deposited with such bank until and including the date of such Holders' Meeting and (iii) confirm such bank has not issued any other such certificate with respect to such Notes.
- (g) The presence quorum (*Präsenzquorum*) necessary in order to vote on resolutions proposed at a Holders' Meeting will be Persons (or the representative of Persons) entitled to vote pursuant to clauses (f) and (h) of this Condition 14 who in the aggregate hold at least (i) in the case of an Ordinary Resolution, 25%, and (ii) in the case of an Extraordinary Resolution, two-thirds of the aggregate principal amount of the Notes outstanding at the time of such Holders' Meeting.

If within 30 minutes after the time fixed for any Holders' Meeting a quorum determined in accordance with this clause (g) is not present, the Holders' Meeting will be dissolved.

- (h) Holders' voting rights will be determined according to the principal amount of outstanding Notes held. Subject to the requirements of clause (f) of this Condition 14, each USD 1,000 of Notes entitles the Holder thereof to one vote.

Notwithstanding the foregoing, Notes held at the time of any Holders' Meeting by or on behalf of the Issuer or any other Person

- (i) that directly or indirectly owns or controls more than 50% of the equity share capital of the Issuer; or
- (ii) of which more than 50% of the equity share capital is controlled by the Issuer directly or indirectly; or
- (iii) with respect to which the Issuer is in a position to exercise, directly or indirectly, control over the decisions or actions of such Person or representative thereof, irrespective of whether or not such Person is affiliated with the Issuer,

will not entitle their Holder or any other Person to vote at such Holders' Meeting.

- (i) An Ordinary Resolution and an Extraordinary Resolution will be validly passed if approved by 51% and two-thirds, respectively, of votes cast at a duly convened Holders' Meeting held in accordance with this Condition 14.
- (j) Any resolution approved at a Holders' Meeting held in accordance with this Condition 14 will be conclusive and binding on the Issuer, the Guarantor and on all present or future Holders, whether present or not at the Holders' Meeting, and regardless of whether such Holders have approved such resolution. The Holders will not be entitled

to any improvement of their position vis-à-vis the Issuer or the Guarantor pursuant to a resolution approved at a Holders' Meeting without prior written approval of the Issuer or the Guarantor, respectively. Any resolution approved at a Holders' Meeting that increases the obligations of the Issuer under these Terms and Conditions or the Notes or the Guarantor under the Guarantee will become effective only after written approval of the Issuer or the Guarantor, respectively.

- (k) Notwithstanding this Condition 14, no Ordinary Resolution or Extraordinary Resolution will be required to be approved and no other form of Holder consent will be required (i) in relation to or as a result of the exercise of Swiss Resolution Power and/or the ordering or Restructuring Protective Measures, including, without limitation, in the case of any amendment to these Terms and Conditions or the Notes that is made pursuant to the agreement with respect to the exercise of Swiss Resolution Power and Restructuring Protective Measures set forth in Condition 17 (*Swiss Resolution Power and Restructuring Protective Measures*), or (ii) in the case of any amendment to these Terms and Conditions or the Notes made in accordance with Condition 15 (*Amendment*).
- (l) So long as the Notes are represented by one or more Global Certificates deposited with, or with a custodian for, the Depository, although the Holders are the only Persons entitled to participate in, and vote at, any Holders' Meeting, the Holder of a Global Certificate may grant proxies and otherwise authorize any Person, including participants of DTC or any other Relevant Clearing System and Persons that may hold interests through such participants, to take any action that the Holder is entitled to take under these Terms and Conditions or the Notes, and nothing in these Terms and Conditions will prevent the Issuer, the Guarantor, the Agents or any of their respective agents from giving effect to any such proxies or other authorizations furnished by the Holder of a Global Certificate for purposes of this clause (l). The Holder of a Global Certificate shall (i) obtain instructions from the relevant Indirect Holders in respect of any Holders Meeting, (ii) vote at such Holders' Meeting in respect of each Note represented by such Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (iii) abstain from representing any Note at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Only the Notes for which the Holder received an instruction by the relevant Indirect Holder to take part at a Holders' Meeting will be deemed to be present or represented at such meeting.

15. **AMENDMENT**

The Issuer may, without the consent of the Holders, make any amendment to these Terms and Conditions or the Notes that it considers to be (i) necessary or desirable to give effect to the provisions of Condition 16 (*Issuer Substitution*), or (ii) formal, minor or technical in nature, or (iii) necessary to correct a manifest error or (iv) not materially prejudicial to the interests of the Holders.

The Issuer shall notify the Holders of any amendments made pursuant to this Condition 15 in accordance with Condition 13 (*Notices*), which notice shall state the date on which such amendment will be effective. Any amendment made pursuant to this Condition 15 will be binding on the Holders in accordance with its terms.

16. **ISSUER SUBSTITUTION**

(a) *Voluntary Issuer Substitution*

The Issuer (for purposes of this Condition 16, the "**Current Issuer**") may, without the consent of the Holders, substitute UBS Group AG or any other entity (whether or not such entity is organized under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes (such substitution, a "**Voluntary Issuer Substitution**") at any time upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 13 (*Notices*), *provided* that:

- (i) at the time the Current Issuer sends notice of such Voluntary Issuer Substitution to the Holders,
  - (A) if the Substitute Issuer is UBS Group AG, interest on the Notes on the next payment date under the Notes would be payable without the deduction by the Substitute Issuer of Swiss withholding tax after giving effect to such Voluntary Issuer Substitution;
  - (B) if the Substitute Issuer is not UBS Group AG, neither the Substitute Issuer nor the Guarantor would on the next payment due under the Notes be required to pay any Additional Amounts under the Notes or the Guarantee, respectively, after giving effect to such Voluntary Issuer Substitution that they would not have been required to pay if such Voluntary Issuer Substitution were not to occur;
- (ii) if the Substitute Issuer is not UBS Group AG, the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;
- (iii) if the Current Issuer is UBS Group AG, UBS Group AG has issued a guarantee for the benefit of the Holders on substantially the same terms as the Guarantee;
- (iv) if the Substitute Issuer is not UBS Group AG, (A) an exemption exists from the requirement to register the Substitute Issuer as an investment company under the U.S. Investment Company Act, and (B) at least 95% of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;
- (v) the Current Issuer and the Substitute Issuer (A) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which (x) the Substitute Issuer assumes the obligations of the Current Issuer under the Notes and the Fiscal Agency Agreement and (y) the Current Issuer and the Substitute Issuer agree to indemnify each Holder against any tax, duty, fee or governmental charge imposed on or relating to such act of assumption, and any costs or expenses of such act of assumption, and (B) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;
- (vi) the Current Issuer shall have obtained legal opinions containing no untoward qualifications from independent legal advisors in the respective countries in which the Substitute Issuer and the Current Issuer are incorporated, and (if different) in Switzerland, to the effect that (A) the obligations of the Substitute Issuer are its legal, valid and binding obligations, (B) if the Substitute Issuer is not UBS Group AG, the obligations of UBS Group AG under the Guarantee or under the guarantee described in subclause (iii) of this clause (a), as applicable, are its legal, valid and binding obligations, and (C) all consents and approvals referred to in subclause (ix) of this clause (a) have been obtained;
- (vii) each competent listing authority and/or stock exchange, on or by which the Notes are admitted to listing and/or trading shall have confirmed that, following the proposed substitution of the Substitute Issuer, the Notes will continue to be admitted to listing and/or trading by the relevant competent listing authority and/or stock exchange;
- (viii) if the Substitute Issuer is not organized under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes;
- (ix) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations); and

- (x) the Current Issuer and the Substitute Issuer have obtained all necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents.

Upon any Voluntary Issuer Substitution, the Current Issuer will be released from all its obligations under the Notes and, if the Substitute Issuer is UBS Group AG, the Guarantee will cease to exist, except to the extent described therein.

After giving effect to any Voluntary Issuer Substitution (A) if the Substitute Issuer is UBS Group AG, all references to the "Guarantor" or the "Guarantee" in the Notes and these Terms and Conditions will cease to apply, except that the references to the "Guarantor" and the "Guarantee", as the case may be, in clauses (i) and (iii) of this Condition 16(a) and in the definition of "Replacement Notes" will remain applicable and such references to the "Guarantee" will be deemed to mean the Guarantee as in effect immediately prior to such Voluntary Issuer Substitution, and (B) in all cases, (x) references to the "Issuer" in the Notes and these Terms and Conditions will be references to the Substitute Issuer, and (y) references to the "Tax Jurisdiction" in the Notes and these Terms and Conditions will be read and construed as including the jurisdiction of establishment of the Substitute Issuer and, if different, the jurisdiction in which the Substitute Issuer is resident for tax purposes instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Issuer and Switzerland.

- (b) *Restructuring Issuer Substitution*

Upon the occurrence of a Restructuring Event, UBS Group AG will, without the consent of the Holders, automatically be substituted for the Issuer for all purposes under the Notes and these Terms and Conditions (such substitution, a "**Restructuring Issuer Substitution**", and the date of such substitution, a "**Restructuring Issuer Substitution Date**"). Any such Restructuring Issuer Substitution will automatically take place without requiring any action to be taken and without regard to the conditions that would be applicable to a Voluntary Issuer Substitution as set forth in Condition 16(a) (including, without limitation, the condition that interest on the Notes may be paid without the deduction by UBS Group AG of Swiss withholding tax). Upon any Restructuring Issuer Substitution, (i) the Issuer will be released from all its obligations under the Notes, (ii) UBS Group AG will, without the need for the amendment of existing, or the entry into of additional documentation, be substituted for, assume all of the obligations of, and exercise every right and power of, the Issuer under the Notes with the same effect as if UBS Group AG had been named as the Issuer in the Notes and these Terms and Conditions, and (iii) the Guarantee will cease to exist, except to the extent described therein.

After giving effect to any Restructuring Issuer Substitution, (i) references to the "Issuer" in the Notes and these Terms and Conditions will be references to UBS Group AG, and (ii) all references to the "Guarantor" or the "Guarantee" in the Notes and these Terms and Conditions will cease to apply, except that the references to the "Guarantor" and the "Guarantee", as the case may be, in clauses (i) and (iii) of Condition 16(a) and in the definition of "Replacement Notes" will remain applicable and such references to the "Guarantee" will be deemed to mean the Guarantee as in effect immediately prior to the Restructuring Issuer Substitution.

Upon the occurrence of a Restructuring Event, the Issuer will provide written notice to the Fiscal Agent and the Holders of such Restructuring Event in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

## 17. **SWISS RESOLUTION POWER AND RESTRUCTURING PROTECTIVE MEASURES**

Each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, acknowledges, agrees to be bound by and consents to the exercise of any Swiss Resolution Power with respect to UBS Group AG that results in the write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of the, principal amount of, and/or

accrued interest on, the Notes, irrespective of whether such amounts have already become due and payable prior to such action. In addition, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, acknowledges, agrees to be bound by and consents to the ordering of any Restructuring Protective Measures that results in the deferment of payment of principal of, and/or interest on, the Notes. Each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, further acknowledges, agrees and consents that its rights are subject to, and if necessary, will be altered without such Holder's consent, including, without limitation, by means of an amendment or modification to the Notes and these Terms and Conditions so as to give effect to any such exercise of any Swiss Resolution Power or any such ordering of Restructuring Protective Measures.

18. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Holders issue further notes and, *provided* that such notes have the same terms and conditions as the Notes in all respects, including, without limitation, being fungible for U.S. federal income tax purposes (or in all respects except for the issue date and/or first date on which interest is paid), such further notes will be consolidated and form a single series with the Notes. If the Issuer issues any such further notes pursuant to this Condition 18, references in these Terms and Conditions to "Notes" will include such further notes, unless the context otherwise requires.

19. **CURRENCY INDEMNITY**

Any amount received or recovered by any Holder in a currency other than USD (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Guarantor or otherwise) under the Notes or the Guarantee will only constitute a discharge of the Issuer or the Guarantor, as applicable, to the extent of the amount in USD that such Holder is able to purchase with the amount so received or recovered in such other currency on the date of such receipt or recovery (or, if it is not practicable to purchase USD with such amount on such date, on the first date on which it is practicable to do so). If the amount of USD that such Holder is able to purchase is less than the amount owed by the Issuer or the Guarantor, as applicable, to such Holder under the Notes, the Issuer or the Guarantor, as applicable, shall indemnify such Holder against any loss sustained by it as a result. In addition, the Issuer or the Guarantor, as applicable, shall indemnify such Holder for the costs of making such purchase. For purposes of this Condition 19, it is sufficient for the relevant Holder to demonstrate that it would have suffered a loss had an actual purchase been made. The indemnities under this Condition 19 will (a) constitute a separate and independent obligation from the Issuer's other obligations hereunder and the Guarantor's obligations under the Guarantee, (b) give rise to a separate and independent cause of action, (c) apply irrespective of any indulgence granted by any Holder and (d) continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any amount due under the Notes or any other judgment or order.

20. **RULE 144A INFORMATION**

If at any time the Issuer (a) is not a wholly-owned subsidiary of UBS Group AG and (b) is neither a reporting company under Section 13 or Section 15(d) of the U.S. Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the U.S. Exchange Act, the Issuer will comply with any applicable requirements of Rule 144A(d)(4) under the Securities Act in relation to the Notes.

21. **NO SET-OFF BY HOLDERS**

Subject to applicable law, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, agrees that it will not, and waives its right to, exercise, claim or plead any right of set-off, compensation or retention with respect to any amount owed to it by the Issuer or the Guarantor in respect of, or arising in connection with, the Notes or the Guarantee.

22. **GOVERNING LAW AND JURISDICTION**

- (a) The Notes and these Terms and Conditions are governed by and shall be construed in accordance with the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes.