



## High-trigger loss-absorbing additional tier 1 capital instrument

<b>Issuer</b>	UBS AG
<b>ISIN</b>	- <sup>1</sup>
<b>Issue Date</b>	21.02.2021
<b>Currency</b>	USD
<b>Nominal (million)</b>	210
<b>Interest Rate</b>	4.0% per annum
<b>Maturity Date</b>	perpetual
<b>First Call Date</b>	01.03.2026

<sup>1</sup> UBS Group internal capital loan.

## Termsheet – Additional Tier 1 Capital Loan

<b>Lender</b>	UBS Group AG (the <b>Lender</b> )
<b>Borrower</b>	UBS AG (the <b>Borrower</b> )
<b>Instrument</b>	Perpetual Write-Down Subordinated Fixed Rate Loan (the <b>Loan</b> )
<b>Regulatory Qualification</b>	<p>Additional Tier 1 Capital, counted towards both the Going-Concern LR Requirement and the Going-Concern RWA Requirement, in each case, of the Borrower on a stand-alone basis and (to the extent applicable) of the Borrower Group (as defined below) on a consolidated basis.</p> <p><b>Additional Tier 1 Capital</b> means, at any time, any item that qualifies as additional tier 1 capital (<i>zusätzliches Kernkapital</i>) under National Regulations at such time.</p> <p><b>Capital Adequacy Ordinance</b> means the Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Dealers, which entered into force on 1 January 2013, and as amended from time to time, or any successor Swiss law or regulation.</p> <p><b>FINMA</b> means the Swiss Financial Market Supervisory Authority FINMA or any successor thereto.</p> <p><b>Going-Concern LR Requirement</b> means a requirement under National Regulations for systemically relevant banks (<i>systemrelevante Banken</i>) to hold a minimum amount of going-concern capital (<i>Eigenmittel zur ordentlichen Weiterführung der Bank</i>), which amount is set by reference to the leverage ratio (<i>Höchstverschuldungsquote</i>) of such bank.</p> <p><b>Going-Concern RWA Requirement</b> means a requirement under National Regulations for systemically relevant banks (<i>systemrelevante Banken</i>) to hold a minimum amount of going-concern capital (<i>Eigenmittel zur ordentlichen Weiterführung der Bank</i>), which amount is set by reference to the risk weighted assets (<i>risikogewichtete Positionen</i>) of such bank.</p> <p><b>National Regulations</b> means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (<i>Bundesrat</i>) or the FINMA and the interpretation thereof by the FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to the Borrower and/or the Borrower Group (as defined below) at such time.</p>
<b>Principal Amount</b>	USD 210'000'000
<b>Maturity</b>	The Loan is a perpetual loan in respect of which there is no fixed repayment date. Unless previously repaid in accordance with the provisions described under " <i>Optional Repayment</i> " below and subject to a Contingent Write-down, the Loan is perpetual and may only be repaid as described under " <i>Optional Repayment</i> " below.
<b>Documentation</b>	The Loan will be documented pursuant to a bilateral loan agreement. It is currently not envisaged to issue a security. However, the Borrower may, at any time and at its sole discretion, opt to issue a security to the Lender

mirroring the terms and conditions of this Loan. Following the issuance of such security, the Loan shall be deemed to have been replaced and superseded by the security.

## Status

The Loan constitutes direct, unsecured and subordinated obligations of the Borrower. The rights and claims of the Lender against the Borrower under the Loan are subordinated as described below.

In the event of (i) a Bankruptcy Event or (ii) an order being made, or an effective resolution being passed, for the liquidation or winding-up of the Borrower (except, in any such case, a solvent liquidation or winding-up of the Borrower solely for the purposes of a reorganization, reconstruction or amalgamation of the Borrower or the substitution in place of the Borrower of a successor in business to the Borrower, the terms of which reorganization, reconstruction, amalgamation or substitution (x) have previously been approved by the Lender and (y) do not provide that the Loan shall become repayable in accordance with the terms and conditions of the Loan), the rights and claims of the Lender against the Borrower in respect of or arising under (including, without limitation, any damages awarded for breach of any obligation under) the Loan will, subject to any obligations that are mandatorily preferred by law, rank (A) junior to the rights and claims of all holders of Senior Obligations, (B) *pari passu* with the rights and claims of holders of Parity Obligations and (C) senior to the rights and claims of holders of Junior Obligations.

**Bankruptcy Event** means any of the following events with respect to the Borrower: (i) the adjudication of bankruptcy (*Konkurseröffnung*) pursuant to articles 171, 189, 190, 191 or 192 of the DEBA including, without limitation, in connection with article 725a of the Swiss Code, (ii) the granting of a provisional or definitive stay of execution (*provisorische oder definitive Nachlassstundung*) pursuant to article 293 et seq. of the DEBA, (iii) the ordering of restructuring proceedings (*Sanierungsverfahren*) pursuant to articles 28 to 32 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to banks in Switzerland such as the Borrower, and/or (iv) the ordering of liquidation proceedings (*Liquidation*) pursuant to articles 33 to 37g of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to banks in Switzerland such as the Borrower; *provided, however*, that none of the following will constitute a Bankruptcy Event: (x) mere debt collection proceedings (*Betreibungsverfahren*) pursuant to article 38 et seq. of the DEBA, (y) proceedings in connection with a freezing order (*Arrestverfahren*) pursuant to article 271 et seq. of the DEBA, and/or (z) the institution of protective measures (*Schutzmassnahmen*) pursuant to article 26 of the FBA or pursuant to any successor or analogous Swiss law or regulation applicable to banks in Switzerland such as the Borrower, including, in the case of each of clauses (x), (y) and (z), any steps (other than any steps described in clauses (i) through (iv) above) taken under or in connection therewith.

**DEBA** means the Swiss Federal Debt Enforcement and Bankruptcy Act of 11 April 1889, as amended from time to time.

**FBA** means the Swiss Federal Act on Banks and Savings Institutions of 8 November 1934, as amended from time to time.

**Junior Obligations** means (i) all classes of share capital and participation securities (if any) of the Borrower and (ii) all other obligations (including any guarantee, credit support agreement or similar undertaking) of the Borrower that rank, or are expressed to rank, junior to claims in respect of the Loan and/or any Parity Obligation.

**Parity Obligations** means (i) all obligations of the Borrower in respect of Tier 1 Instruments (excluding any such obligations that rank, or are expressed to rank, junior to claims in respect of the Loan) and (ii) any other

securities or obligations (including any guarantee, credit support agreement or similar undertaking) of the Borrower that rank, or are expressed to rank, *pari passu* with claims in respect of the Loan and/or any Parity Obligation. For purposes of this definition,

- (i) **Tier 1 Instruments** means any and all (A) securities or other obligations (other than Tier 1 Shares) issued by the Borrower, or (B) shares, securities, participation securities or other obligations (other than Tier 1 Shares) issued by a subsidiary of the Borrower and having the benefit of a guarantee, credit support agreement or similar undertaking of the Borrower, each of which shares, securities, participation securities or other obligations described in subclauses (A) and (B) of this definition qualify, or are issued in respect of a security that qualifies, as Tier 1 Capital of the Borrower Group (as defined below) and/or the Borrower (without regard to quantitative limits on such capital) on a consolidated (*Finanzgruppe*) or unconsolidated (*Einzelinstitut*) basis.
- (ii) **Tier 1 Capital** means Additional Tier 1 Capital or any item that qualifies as common equity tier 1 capital pursuant to National Regulations.
- (iii) **Tier 1 Shares** means all classes of share capital and participation certificates (if any) of the Borrower or any subsidiary of the Borrower that qualify as common equity tier 1 capital of the Borrower Group (as defined below) and/or the Borrower under National Regulations on a consolidated (*Finanzgruppe*) or unconsolidated (*Einzelinstitut*) basis.

**Senior Obligations** means all obligations of the Borrower that are unsubordinated or that are subordinated and do not constitute either Junior Obligations or Parity Obligations.

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

**Utilization Date** 21 February 2021

**Interest** Subject to a Contingent Write-down, the Loan will bear interest on its principal amount from (and including) the Utilization Date at the Interest Rate. Subject to a Contingent Write-down and/or cancellation in accordance with "*Optional Cancellation of Interest*" or "*Mandatory Cancellation of Interest*" below, interest on the Loan will be payable annually in arrears on 1 March of each year (each, an **Interest Payment Date**), commencing on 1 March 2022. If any Interest Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

Subject to a Contingent Write-down, if the Borrower elects to repay the Loan pursuant to the provisions described under "*Optional Repayment*" below, interest on the Loan will accrue up to (but excluding) the due date for repayment and will cease to accrue on the due date for repayment; *provided, however*, that if the payment with respect to the Loan is improperly withheld or refused on such date, interest will continue to accrue on the principal amount of the Loan (both before and after judgment) at the relevant interest rate to the date on which the full amount of such payment has been received by the Lender.

Upon the occurrence of a Write-down Event, interest on the Loan will cease to accrue and any accrued and unpaid interest as at the time of such Write-

down Event (whether or not due and payable) will be written down to zero in accordance with the provisions described under "*Contingent Write-down*" below.

**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 dealing in foreign exchange and foreign currency deposits) in Zurich.

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

**Interest Rate** means 4.0 per cent. per annum.

**Optional  
Cancellation of  
Interest**

The Borrower may, at its discretion, elect to cancel all or part of any payment of interest that is otherwise scheduled to be paid on an Interest Payment Date. This provision is without prejudice to the provisions described under "*Mandatory Cancellation of Interest*" below. Non-payment of any amount of interest by the Borrower to the Lender will constitute evidence of cancellation of the relevant payment, whether or not notice of cancellation has been given by the Borrower.

If practicable, the Borrower shall provide notice of any cancellation of interest (in whole or in part) pursuant to this provision to the Lender on or prior to the relevant Interest Payment Date. If practicable, the Borrower shall endeavor to provide such notice at least five Business Days prior to the relevant Interest Payment Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of interest, or give the Lender any rights as a result of such failure.

If the Borrower determines, after consultation with the FINMA, that the Loan does not, or will cease to, fully qualify as Additional Tier 1 Capital, (A) the Borrower shall not, to the extent permitted under National Regulations, exercise its discretion pursuant to the provisions described above to cancel any interest payments due on the Loan on any Interest Payment Date following the occurrence of such determination, and (B) the Borrower shall give notice to the Lender as soon as practicable after such determination stating that the Borrower may no longer exercise its discretion pursuant to the provisions described above to cancel any interest payments as from the date of such notice.

**Mandatory  
Cancellation of  
Interest**

The Borrower will be prohibited from making, in whole or in part, any payment of interest on the Loan on the relevant Interest Payment Date if and to the extent that:

- (A) the amount of Distributable Items as at such Interest Payment Date is less than the sum of
- (1) the amount of such interest payment, plus
  - (2) all other payments (other than redemption payments) made by the Borrower on the Loan and on or in respect of any Parity Obligations or Junior Obligations since the balance sheet date of the Relevant Accounts and prior to such Interest Payment Date, plus
  - (3) all payments (other than redemption payments) payable by the Borrower on such Interest Payment Date on or in respect of any Parity Obligations or Junior Obligations,

in the case of each clauses (1), (2) and (3), excluding any portion of such payments already accounted for in determining the amount

of such Distributable Items; and/or

- (B) the Borrower is not, or will immediately after the relevant payment of interest not be, in compliance with all applicable minimum capital adequacy requirements of the National Regulations on a consolidated (*Finanzgruppe*) or unconsolidated (*Einzelinstitut*) basis (for the avoidance of doubt, it being understood that such minimum requirements will reflect any reduction in such requirements granted by the FINMA to the Borrower Group (as defined below) or the Borrower, respectively, pursuant to the Capital Adequacy Ordinance); and/or
- (C) the FINMA has required the Borrower not to make such interest payment.

The Borrower shall give notice to the Lender as soon as practicable following any determination that interest is required to be cancelled pursuant to this provision or, where no such prior determination is made, promptly following any Interest Payment Date on which interest was scheduled to be paid if such interest is being cancelled in accordance with this provision. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation or give the Lender any rights as a result of such failure.

**Distributable Items** means, in respect of an Interest Payment Date, the aggregate of (i) net profits carried forward and (ii) freely distributable reserves, in each case, less any amounts that must be contributed to legal reserves under applicable law, all in the Borrower's reporting currency and as appearing in the Relevant Accounts.

**Relevant Accounts** means, in respect of any Interest Payment Date, the most recent audited unconsolidated annual financial statements of the Borrower prepared in accordance with the Swiss Code.

**Non-Cumulative Interest And No Event of Default**

Any interest cancelled (in whole or in part) in accordance with "*Optional Cancellation of Interest*" or "*Mandatory Cancellation of Interest*" above will not accumulate or be payable at any time thereafter. Non-payment of interest so cancelled will not constitute a default or an Event of Default by the Borrower for any purpose, and the Lender shall have no right thereto whether in a liquidation, dissolution or insolvency of the Borrower or otherwise.

**Taxation**

All payments in respect of the Loan shall be made without withholding or deduction for any taxes or duties of whatever nature imposed or levied by or on behalf of a Tax Jurisdiction or any political subdivision or any authority thereof or therein having the power to tax, unless the withholding or deduction is required by law. In that event, the Borrower will pay such additional amounts (**Additional Amounts**) as may be necessary in order that the net amounts received by the Lender shall equal the amounts which would have been receivable in the absence of any withholding or deduction.

**Tax Jurisdiction** means Switzerland.

**Optional Repayment**

The Borrower may, in its sole discretion, repay the Loan, in whole but not in part, upon giving prior notice to the Lender, which notice will be irrevocable and specify the date fixed for repayment (the **Repayment Date**):

- (i) at any time on or after 1 March 2026, at the Loan's principal amount together with any accrued and unpaid interest thereon to (but excluding) the Repayment Date; or
- (ii) upon the occurrence of a Tax Event at any time after the Utilization

Date, at the Loan's principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Repayment Date; or

- (iii) upon the occurrence of a Regulatory Event at any time after the Utilization Date, at the Loan's principal amount, together with any accrued and unpaid interest thereon to (but excluding) such Repayment Date,

*provided that*, (A) in the case of any repayment described in clauses (i) or (ii) above, the FINMA has approved such repayment (if such approval is then required) and (B) no Trigger Event or Viability Event has occurred prior to the relevant Repayment Date.

A **Tax Event** is deemed to have occurred if the Borrower in making any payments on the Loan (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 Loan, in the case of each of subclauses (A) and (B) of this clause (ii), under the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Borrower cannot avoid the foregoing by taking measures reasonably available to it.

A **Regulatory Event** will have occurred if the Loan ceases to be eligible in full to be (A) treated as Additional Tier 1 Capital of the Borrower on a standalone basis or (to the extent applicable) of the Borrower Group (as defined below) on a consolidated basis, and/or (B) counted towards either the Going-Concern LR Requirement or the Going-Concern RWA Requirement (or both) of the Borrower on a standalone basis or (to the extent applicable) of the Borrower Group (as defined below) on a consolidated basis.

#### **Contingent Write-down**

If the Borrower has given a Write-down Notice in accordance with the provisions described under "*Trigger Event*" or "*Viability Event*" below, then on the relevant Write-down Date:

- (i) the full principal amount of, and any accrued and unpaid interest (whether or not due and payable) on, the Loan will automatically be written down to zero, the Loan will be cancelled and all references to the principal amount of the Loan in the terms and conditions of the Loan will be construed accordingly;
- (ii) the Lender will be automatically deemed to have irrevocably waived its right to receive, and will no longer have any rights against the Borrower with respect to, repayment of the principal amount of, and payment of any accrued and unpaid interest on, the Loan written down pursuant to clause (i) above (*bedingter Forderungsverzicht*); and
- (iii) all rights of the Lender for payment of any amounts under or in respect of the Loan (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) will become null and void, irrespective of whether such amounts have become due and payable prior to the relevant Write-down Notice Date or the Write-down Date.

**Contingent Write-down** means the events described in clauses (i) through (iii) above.

**Write-down Date** means, with respect to any Contingent Write-down, the Trigger Event Write-down Date or Viability Event Write-down Date, as

applicable.

**Write-down Notice** means, with respect to any Contingent Write-down, the relevant Trigger Event Write-down Notice or Viability Event Write-down Notice, as applicable.

**Write-down Notice Date** means, with respect to any Contingent Write-down, the date of the relevant Write-down Notice.

## Trigger Event

A **Trigger Event** is deemed to have occurred if the Borrower gives the Lender a Trigger Event Write-down Notice in accordance with the provisions described below.

If, with respect to any Notification Date, the Trigger CET1 Ratio as of such Notification Date is less than the Write-down Threshold, the Borrower shall (subject to the provisions described below), give a Trigger Event Write-down Notice to the Lender (x) if such Notification Date is an Ordinary Notification Date, within five Business Days of such Ordinary Notification Date (such fifth Business Day, the **Trigger Breach Determination Date**, and the date of such notice, the **Ordinary Trigger Event Notice Date**), and (y) if such Notification Date is an Extraordinary Notification Date, on such Extraordinary Notification Date (the **Extraordinary Trigger Event Notice Date**).

If the Borrower is required to give a Trigger Event Write-down Notice as described above, and on the relevant Notification Date any High-Trigger Contingent Capital is outstanding with respect to which either (x) no High-Trigger Write-down|Conversion Notice has been given prior to the Trigger Event Notice Date or (y) a High-Trigger Write-down|Conversion Notice has been given prior to the Trigger Event Notice Date, but the Trigger Event Write-down Date is scheduled to occur prior to the relevant High-Trigger Write-down|Conversion Date,

- (i) in the case of clause (x) above, the Borrower will postpone giving such Trigger Event Write-down Notice until the date on which a High-Trigger Write-down|Conversion Notice has been given with respect to all such outstanding High-Trigger Contingent Capital and such date will be deemed to be the Trigger Event Notice Date; and
- (ii) in the case of clauses (x) and (y) above, if the Trigger Event Write-down Date is scheduled to occur prior to the High-Trigger Write-down|Conversion Date (or, in the case of more than one High-Trigger Write-down|Conversion Date, the latest High-Trigger Write-down|Conversion Date), the Trigger Event Write-down Date will be postponed to the High-Trigger Write-down|Conversion Date (or the latest High-Trigger Write-down|Conversion Date, as applicable) and such postponement shall be specified in such Trigger Event Write-down Notice.

If (A) the Borrower is required to give a Trigger Event Write-down Notice pursuant to clause (i) above in relation to an Ordinary Notification Date, and (B) prior to the earlier of the Ordinary Trigger Event Notice Date and the Trigger Breach Determination Date, the FINMA, upon the request of the Borrower, has agreed in writing that a Contingent Write-down is not required as a result of actions taken by the UBS Group or circumstances or events (including any capital injections from UBS Group AG or any other member of the UBS Group), in each case, that have had, or imminently will have, the effect of restoring the CET1 Ratio as of the Balance Sheet Date relating to the relevant Ordinary Notification Date, after giving pro forma effect to such actions, circumstances or events, to a level above the Write-down Threshold that the FINMA and the Borrower deem, in their sole discretion, to be adequate at such time, the Borrower (x) shall not give such Trigger Event Write-down Notice pursuant to clause (i) above in relation to the relevant Ordinary Notification Date, and (y) shall give notice to the Lender on or prior



to the Trigger Breach Determination Date, which notice shall state that no Contingent Write-down will occur in relation to the relevant Ordinary Notification Date.

**Auditor** means the accounting firm (i) appointed by the board of directors of the Borrower or the shareholders of the Borrower, as the case may be, to provide, among other things, audit and/or review opinions on the Borrower's financial statements, and (ii) approved by the FINMA in accordance with the Financial Market Supervisory Act (*Finanzmarktaufsichtsgesetz*) of 22 June 2007, as amended from time to time.

**Balance Sheet Date** means (i) with respect to any Ordinary Notification Date, the cut-off date for the measurement of the CET1 Ratio in the Quarterly Financial Accounts notified on such Ordinary Notification Date, and (ii) with respect to any Extraordinary Notification Date, the cut-off date for the Reviewed Interim Measurement notified upon the instruction of the FINMA on such Extraordinary Notification Date.

**BIS Regulations** means, at any time, the capital adequacy standards and guidelines promulgated by the Basel Committee on Banking Supervision, as implemented by the FINMA in Switzerland at such time.

**BIS Risk Weighted Assets** means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of risk-weighted assets of the Borrower Group or the Borrower, as applicable, as of such Balance Sheet Date, as determined by the Borrower pursuant to the BIS Regulations applicable to the Borrower Group or the Borrower, respectively, as of such Balance Sheet Date, and as disclosed in the Quarterly Financial Accounts or the Reviewed Interim Measurement. For the avoidance of doubt, the term "risk-weighted assets" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

**Borrower Group** means, at any time, the Borrower and all its subsidiaries and other entities that are included in the Borrower's consolidated capital adequacy reports, if any, prepared pursuant to National Regulations.

**CET1 Capital** means, as of any Balance Sheet Date, the aggregate amount, in the Presentation Currency, of items that constitute common equity tier 1 capital of the Borrower Group or the Borrower, as applicable, as of such Balance Sheet Date, less any deductions from common equity tier 1 capital required to be made, in each case as determined by the Borrower pursuant to the BIS Regulations applicable to the Borrower as of such Balance Sheet Date, and as disclosed in the Quarterly Financial Accounts or the Reviewed Interim Measurement. For the avoidance of doubt, the term "common equity tier 1 capital" as used in this definition has the meaning assigned to such term in the BIS Regulations in effect as of the relevant Balance Sheet Date.

**CET1 Ratio** means, as of any Balance Sheet Date, the CET1 Capital as of such Balance Sheet Date, divided by the BIS Risk Weighted Assets as of such Balance Sheet Date, expressed as a percentage, such ratio (or the components thereof) as determined by the Borrower and as disclosed in the Quarterly Financial Accounts or the Reviewed Interim Measurement.

**Extraordinary Notification Date** means the Business Day on which a Reviewed Interim Measurement is notified to the Lender upon the instruction of the FINMA, after the FINMA has determined that the conditions for issuing a Trigger Event Write-down Notice in accordance with the provisions described under "*Trigger Event*" have been met.

**High-Trigger Amount** means, as of any Notification Date, the sum of (i) the maximum portion of the aggregate principal amount, in the Presentation Currency, of all High-Trigger Contingent Capital, if any, outstanding on the relevant Balance Sheet Date that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a High-Trigger Write-down/Conversion Notice were delivered in accordance

with the terms thereof, and (ii) the maximum portion of the aggregate principal amount, in the Presentation Currency, of all High-Trigger Contingent Capital, if any, issued after the relevant Balance Sheet Date, but prior to such Notification Date, that could be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1 Capital, if a High-Trigger Write-down|Conversion Notice were delivered in accordance with the terms thereof, in the case of each of clauses (i) and (ii), as determined by the Borrower. For purposes of clause (ii) of this definition and, in the case of an Extraordinary Notification Date, clause (i) of this definition, the aggregate principal amount of any High-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable prevailing exchange rate on the last Business Day preceding the relevant Notification Date, as determined by the Borrower. In the case of an Ordinary Notification Date, for purposes of clause (i) of this definition, the aggregate principal amount of any High-Trigger Contingent Capital that is not denominated in the Presentation Currency will be converted into the Presentation Currency at the applicable exchange rate used for such purposes in the relevant Quarterly Financial Accounts.

**High-Trigger Contingent Capital** means any instrument issued by, or any other obligation of, the Borrower or, in case the Borrower establishes consolidated financial statements for the Borrower Group pursuant to National Regulations, the Borrower and any other member of the Borrower Group that (i) is issued or owed to holders that are not members of the Borrower Group and (ii) is required pursuant to its terms to be converted into equity and/or fully or partially written down, or otherwise operating to increase the CET1 Capital, when the CET1 Ratio (or equivalent capital measure of the Borrower, described in the terms and conditions thereof) falls below a threshold that is higher than the Write-down Threshold (with respect to the relevant High-Trigger Contingent Capital, its **High-Trigger Threshold**).

**High-Trigger Write-down|Conversion Notice** means a notice delivered pursuant to the terms of any High-Trigger Contingent Capital, which notifies the holders thereof that the CET1 Ratio (or similar measure or other event described in the terms and conditions of such High-Trigger Contingent Capital) has fallen below its High-Trigger Threshold and, consequently, that such High-Trigger Contingent Capital will be converted into equity and/or fully or partially written down, or otherwise operate to increase the CET1-Capital, as applicable, as of a particular date (such date, the **High-Trigger Write-down|Conversion Date**). For the avoidance of doubt, if the terms and conditions of such High-Trigger Contingent Capital permit the FINMA to waive the conversion into equity and/or write-down of such High-Trigger Contingent Capital notwithstanding the fact that the CET1-Ratio (or similar measure or other event described in the terms and conditions of such High-Trigger Contingent Capital) has fallen below High-Trigger Threshold, the non-issuance of such a waiver by the FINMA between the relevant Notification Date and the Trigger Event Notice Date shall be deemed equivalent to the delivery of a High-Trigger Write-down|Conversion Notice for purposes of the provisions described under "*Trigger Event*".

**Notification Date** means an Ordinary Notification Date or an Extraordinary Notification Date, as the case may be.

**Ordinary Notification Date** means each Business Day on which Quarterly Financial Accounts are notified to the Lender, which date shall fall no later than ten Business Days after the day on which the Auditor has made its report relating to the relevant Quarterly Financial Accounts available to the Borrower.

**Presentation Currency** means (i) with respect to any Quarterly Financial Accounts, the presentation currency of such Quarterly Financial Accounts, and (ii) with respect to any Reviewed Interim Measurement, the Presentation Currency of the Quarterly Financial Accounts that will be prepared for the

relevant financial quarterly or annual period in which the relevant Extraordinary Notification Date falls. **Quarterly Financial Accounts** means (i) in case the Borrower establishes consolidated financial statements for the Borrower Group pursuant to National Regulations, such consolidated financial statements of the Borrower Group (including the notes thereto) in respect of a calendar quarter, or (ii) if no consolidated financial statements are established for the Borrower Group, the financial statements of the Borrower (including the notes thereto) in respect of a calendar quarter, which, in each case, have been reviewed by the Auditor in accordance with the International Standards on Auditing; *provided, however*, that, if the financial statements of the Borrower Group or the Borrower, as applicable, in respect of the last quarter of any year are not so reviewed, the term "Quarterly Financial Accounts" in respect of such quarter will mean instead the annual financial statements of the Borrower Group or the Borrower, as applicable (including the notes thereto) in respect of such year, which have been audited by the Auditor in accordance with the International Standards on Auditing for such year, or (iii) in the event that the Borrower or (to the extent applicable) the Borrower Group does not establish quarterly financial statements as described in clause (i) or (ii) of this definition, respectively, the financial disclosures established by the Borrower or the Borrower Group, respectively, pursuant to and in compliance with FINMA Circular 2016/01 "Capital Adequacy Disclosures Banks", as amended from time to time, or pursuant to and in compliance with any successor circular or regulation applicable to the Borrower or the Borrower Group, respectively, *provided* that such financial disclosures are established for each financial quarter and the interim earnings included in such disclosures have been reviewed by the Auditor in accordance with International Standards on Auditing.

**Reviewed Interim Measurement** means an interim measurement of the CET1 Ratio, with respect to which the Auditor has performed procedures in accordance with the International Standard on Related Services (and relevant Swiss standards and practices) applicable to agreed-upon procedures engagements.

**Trigger CET1 Ratio** means, as of any Notification Date, (i) the sum of (x) the CET1 Capital as of the relevant Balance Sheet Date and (y) the High-Trigger Amount as of such Notification Date, divided by (ii) the BIS Risk Weighted Assets as of the relevant Balance Sheet Date, expressed as a percentage.

**Trigger Event Write-down Notice** means, with respect to any Notification Date, a notice (i) stating that (x) the Trigger CET1 Ratio as of such Notification Date is less than the Write-down Threshold, and (y) a Contingent Write-down will take place and (ii) specifying the date on which the Contingent Write-down will take place, which date shall, subject to postponement pursuant to the provisions described above, be no later than 10 Business Days after the date of such notice (the **Trigger Event Write-down Date**).

**UBS Group** means, at any time, the UBS Group Holding Company and all its subsidiaries and other entities that are included in the UBS Group Holding Company's consolidated capital adequacy reports prepared pursuant to UBS Group National Regulations.

**UBS Group Holding Company** means, at any time, the top Swiss holding company at such time of the financial group to which the Borrower belongs for purposes of preparing consolidated capital adequacy reports pursuant to UBS Group National Regulations. As of the Utilization Date the UBS Group Holding Company is UBS Group AG.

**UBS Group National Regulations** means, at any time, (i) the Swiss national banking and capital adequacy laws, and (ii) the capital adequacy regulations promulgated by the Swiss Federal Council (*Bundesrat*) or the FINMA and the interpretation thereof by the FINMA or any other competent Swiss authority, in the case of each of clauses (i) and (ii), directly applicable to the UBS

Group Holding Company and/or the UBS Group.

**Write-down Threshold** means 7 per cent.

**Viability Event**

A **Viability Event** will be deemed to have occurred if prior to an Alternative Loss Absorption Date (if any):

- (i) the FINMA has notified the Borrower in writing that it has determined a write-down of the Loan, together with the conversion or write down, as applicable, of holders' claims in respect of all other capital instruments issued by, or other capital obligations (whether qualifying fully or partially for capital treatment) of, any member of the Borrower Group that, pursuant to their terms or by operation of law, are capable of being converted into equity or written down at that time, is, because customary measures to improve the Borrower's capital adequacy (including any capital injections from UBS Group AG or any other member of the UBS Group) are at the time inadequate or infeasible, an essential requirement to prevent the Borrower from becoming insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business; or
- (ii) customary measures to improve the Borrower's capital adequacy being at the time inadequate or infeasible, the Borrower has received an irrevocable commitment of direct or indirect extraordinary support from the Public Sector (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Borrower's capital adequacy and without which, in the determination of (and as notified in writing by) the FINMA, the Borrower would have become insolvent, bankrupt, unable to pay a material part of its debts as they fall due or unable to carry on its business.

For the avoidance of doubt, it is understood that, a Viability Event may occur irrespective of whether or not a Trigger Event has occurred or whether any of the conditions to the issuance of a Trigger Event Write-down Notice have been met.

Subject to the provisions described under "*Alternative Loss Absorption*", upon the occurrence of a Viability Event, (A) the Borrower shall give notice to the Lender within three days of the date on which such Viability Event occurred, which notice shall (x) state that a Viability Event has occurred and a Contingent Write-down will take place and (y) specify the date on which the Contingent Write-down will take place, which date shall be no later than 10 Business Days after the date of such notice (such specified date, the **Viability Event Write-down Date**, and such notice, a **Viability Event Write-down Notice**), and (B) a Contingent Write-down will occur on the Viability Event Write-down Date in accordance with the provisions governing a Contingent Write-down.

**Public Sector** means the government of, or a governmental agency or the central bank in, the country of incorporation of the Borrower.

**Alternative Loss Absorption**

In the event of the implementation of any new, or amendment to or change in the interpretation of any existing, laws or components of National Regulations, in each case occurring after the Utilization Date, that alone or together with any other law(s) or regulation(s) has, in the joint determination of the Borrower and the FINMA, the effect that the provisions described under "*Viability Event*" above could cease to apply to the Loan without giving rise to a Regulatory Event, then the Borrower shall give notice to the Lender no later than five Business Days after such joint determination stating that such provisions will cease to apply from the date of such notice (the **Alternative Loss Absorption Date**), and from the date of such notice, such provisions

will cease to apply to the Loan.

### **Amendment**

- (a) If a Tax Event or a Regulatory Event has occurred, the Borrower may, without the consent of the Lender, amend the terms and conditions of the Loan so that it remains or becomes, a Compliant Instrument, *provided* that
- (i) neither a Tax Event, nor a Regulatory Event arises as a result of such amendment;
  - (ii) the FINMA has approved such amendment (if such approval is then required);
  - (iii) the Borrower has given the Lender prior notice of such amendment, which notice (the "**Amendment Notice**") will, subject to clause (iv) below, be irrevocable, and state the date on which such amendment will be effective (the "**Amendment Effective Date**"); and
  - (iv) no Trigger Event or Viability Event has occurred prior to the relevant Amendment Effective Date.

**Compliant Instrument** means a loan granted to, or a security issued by, the Borrower or any of its subsidiaries that have economic terms not materially less favorable to the Lender than the terms and conditions of the Loan (as reasonably determined by the Borrower), provided that

- (i) such loan or security (A) includes terms that provide for the same interest rate and principal from time to time applying to the Loan, (B) ranks *pari passu* with the Loan and (C) preserves any existing rights under the terms and conditions of the Loan to any accrued and unpaid interest that has not been satisfied; and
  - (ii) where such loan is extended to, or such security is issued by, a subsidiary of Borrower, the Borrower has irrevocably and unconditionally guaranteed to the Lender, on a subordinated basis corresponding *mutatis mutandis* to the provisions described under "*Status and Subordination*", the due and punctual payment of all amounts due and payable by such subsidiary under, or in respect of, such loan or security pursuant to article 111 of the Swiss Code.
- (b) Any amendment made pursuant to this provision will be binding on the Lender in accordance with its terms.

### **Assignment**

The Lender may, at any time and without having to obtain consent from the Borrower, transfer (*Vertragsübertragung*) its rights and obligations under this Loan in whole, but not in part, to any other member of the UBS Group. After giving effect to any such transfer, all references herein to the Lender shall be deemed to be references to such transferee.

### **Set-off**

Subject to applicable law, the Lender, by acceptance of any direct or beneficial interest in the Loan, 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 Borrower in respect of, or arising in connection with, the Loan.

- Events of Default**
- (a) If any of the following events occurs, such occurrence will constitute an **"Event of Default"**:
- (i) the Borrower fails to pay the principal amount of the Loan if and when the same becomes due and payable under the terms and conditions of the Loan, and such failure continues unremedied for a period of 30 days; or
  - (ii) the Borrower fails to pay any interest on the Loan if and when the same becomes due and payable under the terms and conditions of the Loan, and such failure continues unremedied for a period of 30 days; or
  - (iii) the Borrower fails to observe or perform any other covenant, condition, or agreement contained in the terms and conditions of the Loan and such failure either (A) is incapable of remedy or (B) continues unremedied for a period of 60 days after written notice thereof from the Lender to the Borrower; or
  - (iv) a Bankruptcy Event.
- (b) Upon the occurrence of an Event of Default relating to any failure of the Borrower to meet any payment obligation under the terms and conditions of the Loan and subject to the provisions described under "*Contingent Write-down*", (i) such payment obligation (and such payment obligation only) will be immediately deemed a due and payable (*fällige*) payment obligation of the Borrower, and (ii) if (A) the Lender has formally requested payment of such payment obligation, (B) such payment obligation has not been fulfilled within the statutory period under Swiss law commencing after the date of such formal request and (C) a writ of payment (*Zahlungsbefehl*) has been issued with respect to such payment obligation pursuant to the DEBA, the Lender may institute proceedings against the Borrower in Switzerland (but not elsewhere) to enforce its rights with respect to such payment obligation under the DEBA.
- (c) If a debt collection or insolvency proceeding with respect to the Borrower is instituted in Switzerland in accordance with clause (b) of this provision, the Borrower shall not (i) after having received the writ of payment (*Zahlungsbefehl*) relating to the relevant payment obligation, argue or plead that such payment obligation is not due and payable by the Issuer, or (ii) prior to the declaration of bankruptcy (or similar proceeding under Swiss insolvency laws), make any payment to the Lender under or in connection with the Loan.
- (d) In the case of any Event of Default arising under clause (a)(iii) of this provision and subject to the provisions described under "*Contingent Write-down*", the Lender may seek specific performance or damages with respect to such Event of Default pursuant to the Swiss Code if so entitled thereunder. Any such damage claim of the Lender will rank junior to the rights and claims of all holders of Senior Obligations.
- (e) In the case of any Event of Default arising under clause (a)(iv) of this provision and subject to the provisions described under "*Contingent Write-down*", the Lender may, by written notice to the Borrower, declare the principal amount of the Loan, together with any accrued and unpaid interest thereon, immediately due and payable, without presentment, demand, protest or other notice of any kind.
- (f) No remedy against the Borrower other than those described in this provision will be available to the Lender in connection with the

Borrower's obligations under the terms and conditions of the Loan, whether for the recovery of amounts owing under the terms and conditions of the Loan or in respect of any breach by the Borrower of any of its other obligations under the terms and conditions of the Loan or otherwise. In particular, the Lender may not declare (i) the principal amount of the Loan due and payable prior to any Repayment Date, or (ii) any interest on the Loan due and payable prior to the relevant Interest Payment Date, except, in the case of each of subclauses (i) and (ii) of this clause (f), pursuant to clause (e) of this provision.

**Governing Law  
and Jurisdiction**

The Loan shall be governed by and construed in accordance with the substantive laws of Switzerland.

The courts of the city of Zurich (venue being Zurich 1) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Loan.