



## **Public Exchange Offer**

by

**UBS Group AG, Zurich**

for all issued

**registered shares of UBS AG, Zurich and Basel**

**with a nominal value of CHF 0.10 each**

### **Background and Overview of the Public Exchange Offer**

UBS AG ("**UBS**") proposes to its shareholders (the "**UBS Shareholders**" or a "**UBS Shareholder**") to establish a new holding company, UBS Group AG ("**UBS Group**"). To implement this proposal, UBS Group, a Swiss stock corporation (*Aktiengesellschaft*), is offering to acquire any and all issued UBS Shares in exchange for UBS Group Shares on a share-for-share basis (the "**Exchange Offer**").

Under the terms of the Exchange Offer, every registered share of UBS with a nominal value of CHF 0.10 (each, a "**UBS Share**" and collectively, the "**UBS Shares**") validly tendered in, and not withdrawn from, the Exchange Offer will be exchanged for one registered share of UBS Group with a nominal value of CHF 0.10 (each, a "**UBS Group Share**" and collectively, the "**UBS Group Shares**"). The Exchange Offer is comprised of separate offers (respectively, the "**Swiss Exchange Offer**" and the "**U.S. Exchange Offer**"). The Swiss Exchange Offer is being made to all holders of UBS Shares, wherever located, in accordance with local laws, regulations and restrictions, pursuant to the Swiss offer prospectus (the "**Swiss Offer Prospectus**") and, for holders of UBS Shares located in one or more member states of the European Economic Area, one or more separate prospectuses. The U.S. Exchange Offer is being made to all holders of UBS Shares located in the United States pursuant to separate offer documentation.

The Swiss Exchange Offer and the U.S. Exchange Offer are being conducted simultaneously and, in all material respects, have the same terms and are subject to the same conditions.

According to the terms and conditions stipulated in the Swiss Offer Prospectus, UBS Group, a wholly owned subsidiary of UBS, submits a public exchange offer

pursuant to articles 22 *et seq.* of the Swiss Federal Act on Stock Exchanges and Securities Trading of 24 March 1995 (Stock Exchange Act, "**SESTA**") for all issued ordinary shares in registered form (*Namenaktien*) of UBS. The Swiss Exchange Offer is made on the basis of a 1:1 exchange ratio, whereby UBS Shareholders can, under the terms of the Swiss Exchange Offer and subject to offer restrictions, exchange one registered UBS Share with a nominal value of CHF 0.10 for one newly created UBS Group Share with a nominal value of CHF 0.10.

The UBS Group Shares grant the holders of such UBS Group Shares the same voting and economic rights as the UBS Shares.

If the Exchange Offer is successful, UBS Group will become the new listed parent company of UBS, which is currently both the ultimate parent company and the primary operating entity of the Group (as used in this offer notice, "**Group**" refers to UBS and its consolidated subsidiaries up to the time of the first capital increase of UBS Group in connection with the first settlement of the Exchange Offer and to UBS Group and its consolidated subsidiaries after such capital increase). The Exchange Offer will not involve any change to UBS's current board of directors and senior management.

The establishment of a group holding company is intended, along with other measures the Group has already announced, to substantially improve the resolvability of the Group in response to Swiss "too-big-to-fail" requirements and applicable requirements in other countries in which the Group operates.

Swiss "too-big-to-fail" requirements require systemically important banks, including UBS and the Group, to put in place viable emergency plans to preserve the operation of systemically important functions despite a failure of the institution, to the extent that such activities are not sufficiently separated in advance, and to enable the recovery or resolution of the Group as a whole. The Swiss "too-big-to-fail" requirements provide for the possibility of a limited rebate on the progressive buffer capital requirement for systemically important institutions that adopt measures to reduce resolvability risk beyond what is legally required, including through alterations of legal structure.

The Group has already announced a series of measures to improve the resolvability of the Group, including the establishment of a new bank subsidiary in Switzerland, the implementation of a revised business and operating model for UBS Limited in the United Kingdom and the implementation of an intermediate holding company in the United States under Dodd-Frank. The new Swiss banking subsidiary is expected to contain the systemically important function of the Group in Switzerland and to reduce resolvability risk by eliminating the need to transfer functions to a bridge institution as part of a resolution. A group holding company is expected to facilitate the issue of debt that can be "bailed-in" in a resolution while limiting the consequences of the bail-in on the operating entities of the group and the creditors of those entities. A debt bail-in is a procedure contemplated by the Ordinance of the Swiss Financial Market Supervisory Authority

("FINMA") on the Insolvency of Banks and Securities Dealers of 30 August 2012 (and other similar laws and regulations in other countries) that permits the governmental authority exercising resolution powers to cause a write-down or conversion into equity of debt of the failing institution. The debt bail-in mechanism is intended to effectively recapitalize the institution to permit an orderly wind-down, disposition or continued operation of operating entities. The Group believes that these measures will substantially improve its overall resolvability.

As a consequence of the Exchange Offer and the other measures the Group has announced regarding its legal structure, the Group believes that it is substantially enhancing the resolvability of the Group in response to evolving global regulatory requirements. UBS anticipates that the Exchange Offer and the other measures already announced will allow the Group to qualify for a rebate on the progressive buffer capital requirements applicable to the Group as a systemically relevant Swiss bank under applicable Swiss "too-big-to-fail" requirements. The FINMA has confirmed to the Group that the measures proposed are in principle suitable to warrant the granting of a rebate, but the amount of such rebate will depend on the actual execution and implementation of these measures in Switzerland and elsewhere and therefore cannot be known at this time. Any such rebate would result in lower overall capital requirements for the Group.

The Group may consider further changes to its legal structure in response to regulatory requirements in Switzerland or in other countries in which the Group operates.

The Swiss Exchange Offer is subject to a number of conditions, which are described in detail below. Among others, UBS Group is not obligated to consummate the Swiss Exchange Offer if UBS Shares that have been validly tendered and not withdrawn from the Exchange Offer, together with any UBS Shares tendered, or contributed, by UBS to UBS Group or already owned by UBS Group, do not represent at least 90% of all UBS Shares in issue at the expiration of the Initial Acceptance Period (as defined below).

UBS Group has applied for all of the UBS Group Shares to be listed and admitted to trading on the SIX Swiss Exchange AG ("**SIX Swiss Exchange**"). UBS Group will also apply for admission of the UBS Group Shares on the New York Stock Exchange ("**NYSE**"). Admissions on the SIX Swiss Exchange and the NYSE are expected to be effective upon settlement of the UBS Shares validly tendered as of the Expiration Date (as defined below). The SIX Swiss Exchange has already approved, subject to certain conditions, the inclusion of the UBS Group Shares in the Swiss Market Index ("**SMI**") and the Swiss Performance Index ("**SPI**") from the first day of trading of the UBS Group Shares.

UBS Group will initiate the delisting of the UBS Shares from the SIX Swiss Exchange and the NYSE as soon as practicable after consummation of the Exchange Offer.

The present offer notice is only a summary of the Swiss Offer Prospectus. The full Swiss Offer Prospectus (including the report of the board of directors of UBS) can be obtained without delay and free of charge in German, French and English from UBS AG, Prospectus Library, P.O. Box, CH-8098 Zurich (telephone: +41 (0)44 239 47 03, telefax: +41 (0)44 239 69 14, e-mail: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)) and is accessible under <http://www.ubs.com/exchangeoffer>.

### **Scope of the Swiss Exchange Offer**

Subject to the offer restrictions set forth in the Swiss Offer Prospectus, the Swiss Exchange Offer relates to all issued UBS Shares (as of 23 September 2014, 3,844,301,730 UBS Shares were issued), including any UBS Shares that will be issued between 24 September 2014 and the end of the Additional Acceptance Period (as defined below).

### **Offered Shares/Exchange Ratio**

The Swiss Exchange Offer will be made on the basis of a 1:1 exchange ratio, whereby UBS Shareholders can exchange one UBS Share with a nominal value of CHF 0.10 for one UBS Group Share with a nominal value of CHF 0.10.

The UBS Group Shares will carry the same voting and economic rights as the UBS Shares.

### **Cooling-off Period**

Subject to an extension by the Swiss Takeover Board, the cooling-off period runs for ten (10) trading days after publication of the Swiss Offer Prospectus, i.e., it is expected to run from 30 September 2014 to 13 October 2014. The Swiss Exchange Offer can be accepted only after expiration of the cooling-off period.

### **Initial Acceptance Period and Additional Acceptance Period**

The Swiss Exchange Offer will be open for a period of twenty-one (21) trading days, unless extended by UBS Group (the "**Initial Acceptance Period**"). The Initial Acceptance Period will begin on 14 October 2014 and is expected to end on 11 November 2014 (as such date may be extended, the "**Expiration Date**").

- Holders of UBS Shares held in the securities settlement system (the "**SIS Settlement System**") operated by SIX SIS AG, Baslerstrasse 100, 4600 Olten, Switzerland ("**SIS**") or in certificated form recorded in the Swiss share register may tender their UBS Shares at any time prior to 4:00 p.m., Swiss time, on the Expiration Date (the "**Swiss Tender Deadline**").

- Holders of UBS Shares in DTC or directly with Computershare Inc., c/o Voluntary Corporate Actions 250 Royall Street, Suite V Canton, MA 02021 ("**Computershare**") may tender their UBS Shares at any time prior to 5:00 p.m., New York City time, on the Expiration Date (the "**U.S. Tender Deadline**").

UBS Group reserves the right to extend the Initial Acceptance Period one or more times. An extension of the Initial Acceptance Period beyond 40 trading days would require the prior consent of the Swiss Takeover Board.

If the Swiss Exchange Offer has been declared unconditional (*Zustandekommen*), an additional acceptance period of eleven (11) trading days for a subsequent acceptance of the Swiss Exchange Offer pursuant to article 14 para. 5 of the Ordinance of the Takeover Board on Public Takeover Offers of 21 August 2008 (Takeover Ordinance, "**TOO**") (the "**Additional Acceptance Period**") will be provided.

The Additional Acceptance Period is expected to run from 17 November 2014 to 1 December 2014.

- Holders of UBS Shares in the SIS Settlement System or in certificated form recorded in the Swiss share register will be able to tender their UBS Shares at any time prior to 4:00 p.m., Swiss time, on the expiration date of the Additional Acceptance Period.
- Holders of UBS Shares in DTC or directly with Computershare will be able to tender their UBS Shares at any time prior to 5:00 p.m., New York City time, on the expiration date of the Additional Acceptance Period.

### **Separate Swiss Trading Line available to tendered UBS Shares**

UBS Shares held in the SIS Settlement System that are validly tendered in the Swiss Exchange Offer will be assigned new Swiss and international security numbers and will be tradable on the SIX Swiss Exchange on a separate trading line. This separate trading line will allow a tendering UBS Shareholder to sell his or her UBS Shares despite the fact that such UBS Shares have already been tendered in the Swiss Exchange Offer.

### **Withdrawal Rights**

Holders who have tendered their UBS Shares in the Swiss Exchange Offer may withdraw their UBS Shares as follows:

- Holders of UBS Shares who tender their UBS Shares through a bank, broker or other custodian institution in the SIS Settlement System should contact the institution through which they have tendered their UBS Shares to learn about its procedures to withdraw UBS Shares validly tendered. Such holders

should contact their bank, broker or other custodian institution sufficiently in advance of the Swiss Tender Deadline to allow their previously tendered UBS Shares to be validly withdrawn.

- Holders of UBS Shares who have tendered their UBS Shares in the form of share certificates recorded in the Swiss share register by means of delivery to the custodian bank (if such holder has a custodian bank) or to UBS Shareholder Services, P.O. Box, CH-8098 Zurich, Switzerland ("**UBS Shareholder Services**") (if such holder does not have a custodian bank) of an acceptance form and delivery of their physical certificates may withdraw their tender by delivering to UBS Shareholder Services a properly completed and duly executed notice of withdrawal prior to the Swiss Tender Deadline. If holders have tendered their UBS Shares through a custodian bank, such holders should contact their custodian bank sufficiently in advance of the Swiss Tender Deadline to allow their previously tendered UBS Shares to be validly withdrawn.
- Holders of UBS Shares who tender their UBS Shares by means of the DTC book-entry confirmation facility (Automated Tender Offer Program, "**ATOP**"), may withdraw their tender by instructing their broker, dealer, commercial bank, trust company or other entity to cause the DTC participant through which their UBS Shares were tendered to deliver a notice of withdrawal to the U.S. exchange agent by means of an agent's message transmitted through the DTC book-entry confirmation facility (ATOP) prior to the U.S. Tender Deadline.
- Holders of UBS Shares who hold their UBS Shares in uncertificated form in direct registration with Computershare or in the form of one or more share certificates registered with Computershare may withdraw their tender by delivering to the U.S. exchange agent a properly completed and duly executed notice of withdrawal prior to the U.S. Tender Deadline.

No withdrawal rights will be provided with respect to UBS Shares tendered during the Additional Acceptance Period unless they are mandatorily provided under applicable law and regulation.

### **Offer Conditions**

The Swiss Exchange Offer is subject to the following conditions:

1. UBS Shares that have been validly tendered and have not been withdrawn from the Exchange Offer, together with any UBS Shares tendered, or contributed, by UBS to UBS Group or already owned by UBS Group, represent at least 90% of all UBS Shares in issue at the expiration of the Initial Acceptance Period (the "**Minimum Acceptance Condition**").

2. The SIX Swiss Exchange has approved the listing and admission to trading of the UBS Group Shares and the NYSE has approved the listing of the UBS Group Shares, subject to notice of issuance.
3. To the extent required, the competent authorities, including, without limitation, FINMA, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the U.K. Prudential Regulatory Authority (the "**PRA**") and the U.K. Financial Conduct Authority (the "**FCA**"), as well as the competent regulatory authorities in the Cayman Islands, Singapore, Hong Kong, Australia, France, Germany, Jersey and Luxembourg, shall have granted all approvals, clearances or declarations of no objection required for the Exchange Offer and the function of UBS Group as holding company of the Group and all applicable waiting periods shall have expired or been waived.
4. No court or governmental authority shall have issued a decision or an order preventing, prohibiting or declaring illegal the consummation of the Exchange Offer.
5. The U.S. registration statement relating to the UBS Group Shares has become effective in accordance with the provisions of the Securities Act, no stop order suspending the effectiveness of this registration statement has been issued by the U.S. Securities and Exchange Commission ("**SEC**") and no proceedings for that purpose have been initiated or threatened by the SEC and not concluded or withdrawn.

UBS Group reserves the right to waive one or more conditions in whole or in part, other than the conditions set forth in clause 2, 4 and 5 above. The condition specified in clause 3 may not be waived with respect to any approvals, clearances and declaration of no objection from FINMA, the U.S. competent authorities, the PRA and the FCA.

Notwithstanding any other provisions of the Exchange Offer, and in addition to its right to extend and amend the Exchange Offer at any time, UBS Group will not be required to declare the Exchange Offer unconditional or accept for exchange, and may delay the acceptance for exchange of and accordingly the exchange of, any tendered UBS Shares, or may terminate the Exchange Offer unless all the conditions listed above are satisfied or, to the extent permitted by applicable law, waived.

UBS Group reserves the right to reduce or waive the Minimum Acceptance Condition. If UBS Group reduces or waives the Minimum Acceptance Condition, each holder who has validly tendered his or her UBS Shares into the Exchange Offer will have the right to withdraw the UBS Shares he or she has already tendered for so long as required by applicable law, including any extension of the Initial Acceptance Period required by applicable law.

UBS Group does not intend to reduce the Minimum Acceptance Condition below two-thirds of the total UBS Shares in issue.

### **Orders of the Swiss Takeover Board**

On 30 June 2014, the Swiss Takeover Board issued a first order dealing with selected issues of the Exchange Offer and stated:

1. For the public exchange offer to the shareholders of UBS AG, it is permissible to provide for a condition according to which UBS Group AG holds at least 90% of the issued shares of UBS AG at the end of the initial acceptance period.
2. UBS Group AG is granted an exemption from the obligation to value the shares of UBS Group AG offered in the exchange offer.
3. UBS AG and UBS Group AG and any person acting in concert with these companies can, from the publication of the pre-announcement (respectively the offer) acquire own shares – i.e. UBS AG shares and/or UBS Group AG shares – as well as financial instruments related to own shares for cash without violating the principle of equal treatment, in particular without violating the best price rule according to art. 10 TOO and without violating art. 9a para. 1 TOO, provided that the respective transactions have been done either (i) on a stock exchange or an institution comparable to a stock exchange or (ii) on the (traditional) OTC-market not exceeding market prices, whereas for such OTC transactions in UBS AG shares the marked price on the SIX Swiss Exchange at the time of the transaction shall be relevant.
4. This order will be published on the website of the Takeover Board on the day of the publication of the pre-announcement respectively of the offer. UBS Group AG has to publish this ruling together with the offer prospectus.
5. The fee to the account of UBS AG amounts to CHF 50,000.

On 22 August 2014, the Swiss Takeover Board issued a second order dealing with selected issues of the Exchange Offer and stated:

1. For the public exchange offer to the shareholders of UBS AG, in case of a reduction of the minimum acceptance condition of 90%, UBS Group AG is permitted to extend the initial acceptance period (main period) by five up to a maximum of ten trading days by way of an electronic notification published on the first trading day following the expiration of the initial acceptance period (main period) before the start of trading.
2. For the public exchange offer to the shareholders of UBS AG, UBS Group AG is permitted to start the additional acceptance period on the day of the pub-

lication of the notice of the final interim result in the newspapers and to run the period for eleven trading days.

3. The granting of a withdrawal right in favour of the shareholders of UBS AG is permissible.
4. This order will be published on the website of the Takeover Board on the day of the publication of the pre-announcement respectively of the offer. UBS Group AG has to publish this ruling together with the offer prospectus.
5. The fee to the account of UBS AG amounts to CHF 20,000.

The Swiss Takeover Board will issue a third order within the cooling-off period in respect of the compliance of the Exchange Offer with the Swiss statutory provisions relating to public tender offers.

### **Recommendation of the Board of Directors of UBS**

On 28 September 2014, the board of directors of UBS unanimously resolved to recommend the UBS Shareholders to accept the Exchange Offer of UBS Group.

### **Rights of Shareholders of UBS**

#### **Request for Party Status (art. 57 TOO)**

A shareholder providing evidence of holding at least 3% of the voting rights of UBS, whether exercisable or not, since the date of publication of the Swiss Offer Prospectus (each, a "**Qualified Shareholder**", art. 56 TOO), will be granted party status if they file a respective request with the Swiss Takeover Board. The request of a Qualified Shareholder must be received by the Swiss Takeover Board (Selnaustrasse 30, Postfach, CH-8021 Zurich, counsel@takeover.ch; telefax: +41 (0)58 499 22 91) within five trading days from the date of publication of this offer notice in the print media (in accordance with art. 58 para 1 TOO). The first trading day after the publication of this offer notice in the print media will be the first day of the filing period. Concurrently with the request, the applicant has to furnish proof of his or her participation. The Swiss Takeover Board may request proof that the shareholder continues to hold at least 3% of the voting rights of UBS, whether exercisable or not, at any time. The party status will be upheld in relation to any further rulings issued by the Swiss Takeover Board in connection with the Swiss Exchange Offer, if the Qualified Shareholder continues to hold a qualified participation in UBS.

#### **Objection (art. 58 TOO)**

A Qualified Shareholder (in accordance with art. 56 TOO) may file an objection against the orders taken by the Swiss Takeover Board on 30 June 2014 and 22

August 2014 in respect of the Swiss Exchange Offer, such orders to be issued and published by the Swiss Takeover Board. The objection must be filed with the Takeover Board (Selnaustrasse 30, Postfach, CH-8021 Zurich, counsel@takeover.ch; telefax: +41 (0)58 499 22 91) within five trading days after publication of the Swiss Takeover Board's ruling. The first trading day after the publication of the Swiss Takeover Board's ruling will be the first day of the filing period. The objection must contain a formal request, a summary of the legal grounds as well as proof of the Qualified Shareholder's holding in accordance with art. 56 TOO.

### **Governing Law/Jurisdiction**

The Swiss Exchange Offer and all rights and obligations resulting therefrom are governed by Swiss law. The exclusive place of jurisdiction is the City of Zurich (Zurich 1).

### **Offer Restrictions**

The ability of UBS Shareholders who are not resident in Switzerland to accept the Exchange Offer may be affected by the laws of the relevant jurisdiction in which they are located or of which they are citizens. Persons who are not resident in Switzerland should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdictions. In addition, any person (including, without limitation, any custodian, nominee and trustee) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward the Swiss Offer Prospectus and/or any other related document to any jurisdiction outside Switzerland should inform itself of, and observe, any applicable legal or regulatory requirements of their jurisdiction.

The release, publication or distribution of the Swiss Offer Prospectus in jurisdictions other than Switzerland may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than Switzerland should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. The Swiss Offer Prospectus has been prepared for the purposes of complying with articles 22 et seq. SESTA and the information disclosed herein may not be the same as that which would have been disclosed if the Swiss Offer Prospectus had been prepared in accordance with the laws of any jurisdiction other than Switzerland.

For further information, please see pages 3 *et seq.* of the Swiss Offer Prospectus.

**Registered Shares of UBS AG**

Swiss Security Number: 2489948 ISIN: CH0024899483 Ticker-Symbol: UBSN

**Place and Date**

Zurich, 29 September 2014

**Offer Manager**