16 March 2018

Hong Kong Exchanges and Clearing Limited ("**HKEX**"), The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Rules**") for the purpose of giving information with regard to us. We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

This document is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the CBBCs.

Investors are warned that the price of the CBBCs may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the CBBCs and carefully study the risk factors set out in the Base Listing Document (as defined below) and this document and, where necessary, seek professional advice, before they invest in the CBBCs.

The CBBCs constitute general unsecured contractual obligations of us as the Issuer and of no other person and will rank equally among themselves and with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the CBBCs, you are relying upon the creditworthiness of us, and have no rights under the CBBCs against the Index Compiler or any other person. If we become insolvent or default on our obligations under the CBBCs, you may not be able to recover all or even part of the amount due under the CBBCs (if any).

Non-collateralised Structured Products

Launch Announcement
and
Supplemental Listing Document for Callable Bull/Bear Contracts over Index

UBS

Issuer: UBS AG

(incorporated with limited liability in Switzerland)

acting through its London Branch

Sponsor: UBS Securities Asia Limited

Key Terms

CBBCs Stock code	58721	58722	58723
Liquidity Provider broker ID	9695	9695	9695
Issue size	250,000,000 CBBCs	250,000,000 CBBCs	200,000,000 CBBCs
Style / Category	European style cash settled category R	European style cash settled category R	European style cash settled category R
Type	Bull	Bear	Bull
Index	Hang Seng Index	Hang Seng Index	Hang Seng Index
Board Lot	10,000 CBBCs	10,000 CBBCs	10,000 CBBCs
Issue Price per CBBC	HKD 0.250	HKD 0.250	HKD 0.250
Funding Cost per CBBC as of Launch Date[1]	HKD 0.2165	HKD 0.2185	HKD 0.2359
	The funding cost will fluctuate throughout the life of the CBBCs		
Strike Level	31,100.00	31,750.00	31,400.00
Call Level	31,250.00	31,600.00	31,500.00
Cash Settlement Amount per Board Lot (if any) payable at expiry	Subject to no occurrence of a Mandatory Call Event: **For a series of bull CBBCs:** $\frac{\text{(Closing Level - Strike Level) x one Board Lot x Index Currency Amount}}{\text{Divisor}}$ **For a series of bear CBBCs:** $\frac{\text{(Strike Level - Closing Level) x one Board Lot x Index Currency Amount}}{\text{Divisor}}$		
Closing Level	The final settlement price for settling the Hang Seng Index Futures Contracts that are scheduled to expire during the month in which the Expiry Date of the relevant series of the CBBCs is scheduled to fall (the "**Index Futures Contracts**")[2]		
Index Exchange (for all series)	The Stock Exchange of Hong Kong Limited		
Index Currency Amount	HKD 1.00	HKD 1.00	HKD 1.00
Divisor	10,000	10,000	10,000
Launch Date (for all series)	15 March 2018		
Issue Date (for all series)	21 March 2018		
Listing Date (for all series)	22 March 2018		
Observation Commencement Date (for all series)	22 March 2018		
Valuation Date[3]	28 November 2019	28 June 2018	27 September 2019
Expiry Date[3]	28 November 2019	28 June 2018	27 September 2019
Settlement Date (for all series)	The third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be)		
Settlement Currency	Hong Kong Dollars	Hong Kong Dollars	Hong Kong Dollars
Effective Gearing[4]	12.57x	12.57x	12.62x
Gearing[4]	12.57x	12.57x	12.62x
Premium[4]	6.89%	6.95%	7.48%

[1] The funding cost is calculated in accordance with the following formula:

$$\text{Funding Cost} = \frac{\text{Strike Level x funding rate x n / 365 x Index Currency Amount}}{\text{Divisor}}$$

Where,

(i) "n" is the number of days remaining to expiration; initially, "n" is the number of days from (and including) the Launch Date to (and including) the trading day immediately preceding the Expiry Date; and

(ii) the funding rate will fluctuate throughout the term of the CBBCs as further described in the "Key Risk Factors" section in this document. As of the Launch Date, the funding rates were 4.0720% for stock code 58721, 23.6971% for stock code 58722 and 4.8880% for stock code 58723.

[2] Determined pursuant to Regulation 012 of the Regulations for Trading Stock Index Futures Contracts and the Contract Specifications for Hang Seng Index Futures (as amended from time to time) of the Hong Kong Futures Exchange Limited (or its successor or assign), subject to our right to determine the Closing Level in good faith on the Valuation Date upon the occurrence of a Market Disruption Event as described further in Condition 4(G).

[3] If such day is not the day on which the relevant Index Futures Contracts expire on Hong Kong Futures Exchange Limited (or its successor or assign), the day on which the relevant Index Futures Contracts will expire on the Hong Kong Futures Exchange Limited (or its successor or assign).

[4] This data may fluctuate during the life of the CBBCs and may not be comparable to similar information provided by other issuers of callable bull/bear contracts. Each issuer may use different pricing models.

IMPORTANT INFORMATION

The CBBCs are listed structured products which involve derivatives. Do not invest in them unless you fully understand and are willing to assume the risks associated with them.

What documents should you read before investing in the CBBCs?

You must read this document together with our base listing document dated 31 March 2017 (the "**Base Listing Document**"), as supplemented by any addendum thereto (together, the "**Listing Documents**"), in particular the section "Terms and Conditions of Cash Settled Callable Bull/Bear Contracts over an Index" (the "**Conditions**") set out in our Base Listing Document. This document (as read in conjunction with our Base Listing Document and each addendum referred to in the section headed "**Product Summary Statement**") is accurate as at the date of this document. You should carefully study the risk factors set out in the Listing Documents. You should also consider your financial position and investment objectives before deciding to invest in the CBBCs. We cannot give you investment advice. You must decide whether the CBBCs meet your investment needs before investing in the CBBCs.

Is there any guarantee or collateral for the CBBCs?

No. Our obligations under the CBBCs are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our CBBCs, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the CBBCs, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the CBBCs (if any).

What are the Issuer's credit ratings?

The Issuer's long term credit ratings are:

Rating agency	*Rating as of the Launch Date*
Moody's Deutschland GmbH	A1 (stable outlook)
Standard & Poor's Credit Market Services Europe Limited	A+ (stable outlook)

Rating agencies usually receive a fee from the companies that they rate. When evaluating our creditworthiness, you should not solely rely on our credit ratings because:

- a credit rating is not a recommendation to buy, sell or hold the CBBCs;
- ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- a high credit rating is not necessarily indicative of low risk. Our credit ratings as of the Launch Date are for reference only. Any downgrading of our credit ratings could result in a reduction in the value of the CBBCs;
- a credit rating is not an indication of the liquidity or volatility of the CBBCs; and
- a credit rating may be downgraded if our credit quality declines.

The CBBCs are not rated.

The Issuer's credit ratings are subject to change or withdrawal at any time within each rating agency's sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Issuer's ratings from time to time.

Is the Issuer regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are a licensed bank regulated by the Hong Kong Monetary Authority. We are also authorised and regulated by the Financial Market Supervisory Authority in Switzerland, and authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority in the United Kingdom.

Is the Issuer subject to any litigation?

Save as disclosed in the Listing Documents, we and our subsidiaries are not aware of any litigation or claims of material importance pending or threatened against us or them.

Has our financial position changed since last financial year-end?

There has been no material adverse change in our financial or trading position since 31 December 2016.

PRODUCT SUMMARY STATEMENT

The CBBCs are listed structured products which involve derivatives. This statement provides you with key information about the CBBCs. You should not invest in the CBBCs based on the information contained in this statement alone. You should read and understand the remaining sections of this document, together with the other Listing Documents, before deciding whether to invest.

Overview of the CBBCs

- **What is a CBBC?**

A CBBC linked to an index is an instrument which tracks the performance of the underlying index.

The trading price of the CBBCs tends to mirror the movement of the Index level in dollar value.

Similar to a derivative warrant, a CBBC may provide a leveraged return to you. Conversely, such leverage could also magnify your losses.

A bull CBBC is designed for an investor holding a view that the level of the underlying index will increase during the term of the CBBC.

A bear CBBC is designed for an investor holding a view that the level of the underlying index will decrease during the term of the CBBC.

- **How do the CBBCs work?**

The CBBCs are European style cash settled callable bull/bear contracts linked to the Index. Subject to no occurrence of a Mandatory Call Event (see "Mandatory call feature" below), the CBBCs can only be exercised on the Expiry Date.

Mandatory call feature

A Mandatory Call Event occurs if the Spot Level is at or below (in respect of a series of bull CBBCs) or at or above (in respect of a series of bear CBBCs) the Call Level at any time during an Index Business Day in the Observation Period.

The Observation Period commences from the Observation Commencement Date to the Trading Day immediately preceding the Expiry Date (both dates inclusive). "**Trading Day**" means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions.

Upon the occurrence of a Mandatory Call Event, trading in the CBBCs will be suspended immediately and, subject to the limited circumstances set out in the Conditions in which a Mandatory Call Event may be reversed, the CBBCs will be terminated and all Post MCE Trades will be invalid and will be cancelled and will not be recognised by us or the Stock Exchange. The term "**Post MCE Trades**" means subject to such modification and amendment prescribed by the Stock Exchange from time to time, (a) in the case where the Mandatory Call Event occurs during a continuous trading session, all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event, and (b) in the case where the Mandatory Call Event occurs during a pre-opening session or a closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session.

The time at which a Mandatory Call Event occurs will be determined by reference to the time the relevant Index level is published by the Index Compiler.

Residual Value calculation

The CBBCs are Category R as the Call Level is different from the Strike Level. Upon the occurrence of a Mandatory Call Event, the holder may be entitled to a cash amount called the "**Residual Value**" net of any Exercise Expenses (as defined under the heading "Exercise Expenses" in the sub-section titled "What are the fees and charges?" below).

The Residual Value will be calculated in accordance with a formula by reference to the lowest Spot Level (in respect of a series of bull CBBCs) or the highest Spot Level (in respect of a series of bear CBBCs) of the Index in the trading session during which a Mandatory Call Event occurs and in the following session, subject to potential extension as further described in Condition 2.
The Residual Value per Board Lot (if any) payable is calculated as follows:

In respect of a series of bull CBBCs:

$$\frac{\text{(Minimum Index Level - Strike Level) x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

In respect of a series of bear CBBCs:

$$\frac{\text{(Strike Level - Maximum Index Level) x one Board Lot x Index Currency Amount}}{\text{Divisor}}$$

Where:

"**Minimum Index Level**" means, in respect of a series of bull CBBCs, the lowest Spot Level of the Index during the MCE Valuation Period;

"**Maximum Index Level**" means, in respect of a series of bear CBBCs, the highest Spot Level of the Index during the MCE Valuation Period;

"**MCE Valuation Period**" means, subject to any extension (as described in further detail in the Conditions), the period commencing from and including the moment upon which the Mandatory Call Event occurs and up to the end of the following trading session on the Index Exchange; and

"**Spot Level**" means the spot level of the Index as compiled and published by the Index Compiler.

If the Residual Value is equal to or less than the Exercise Expenses (if any), you will lose all of your investment.

At expiry

If a Mandatory Call Event has not occurred during the Observation Period, the CBBCs will be terminated on the Expiry Date.

A bull CBBC will be automatically exercised at expiry without the need for the holder to deliver an exercise notice if the Closing Level is above the Strike Level. The more the Closing Level is above the Strike Level, the higher the payoff at expiry. If the Closing Level is at or below the Strike Level, you will lose all of your investment in the bull CBBC.

A bear CBBC will be automatically exercised at expiry without the need for the holder to deliver an exercise notice if the Closing Level is below the Strike Level. The more the Closing Level is below the Strike Level, the higher the payoff at expiry. If the Closing Level is at or above the Strike Level, you will lose all of your investment in the bear CBBC.

Upon the automatic exercise of the CBBCs, the holder is entitled to a cash amount called the "**Cash Settlement Amount**" net of any Exercise Expenses (as defined under the heading "Exercise Expenses" in the sub-section titled "What are the fees and charges?" below) according to the terms and conditions in the Listing Documents. **If the Cash Settlement Amount is equal to or less than the Exercise Expenses (if any), you will lose all of your investment in the CBBCs.**

- **Can you sell the CBBCs before the Expiry Date?**

Yes. We have made an application for listing of, and permission to deal in, the CBBCs on the Stock Exchange. All necessary arrangements have been made to enable the CBBCs to be admitted into the Central Clearing and Settlement System ("**CCASS**"). Issue of the CBBCs is conditional upon listing approval being granted. From the Listing Date up to the Trading Day immediately preceding the Expiry Date (both dates inclusive), you may sell or buy the CBBCs on the Stock Exchange. No application has been made to list the CBBCs on any other stock exchange.

The CBBCs may only be transferred in a Board Lot (or integral multiples thereof). Where a transfer of CBBCs takes place on the Stock Exchange, currently settlement must be made not later than two CCASS Settlement Days after such transfer.

The Liquidity Provider will make a market in the CBBCs by providing bid and/or ask prices. See the section headed "Liquidity" below.

- **What is your maximum loss?**

The maximum loss in the CBBCs will be your entire investment amount plus any transaction costs.

- **What are the factors determining the price of a CBBC?**

The price of a CBBC linked to an index generally depends on the level of the underlying index (being the Index for the CBBCs). However, throughout the term of the CBBCs, the price of the CBBCs will be influenced by a number of factors, including:

- the Strike Level and Call Level of the CBBCs;
- the likelihood of the occurrence of a Mandatory Call Event;
- the probable range of Residual Value (if any) upon the occurrence of a Mandatory Call Event;
- the time remaining to expiry;
- the interim interest rates and expected dividend payments or other distributions on any components comprising the Index;
- the liquidity of the futures contracts relating to the Index;
- the supply and demand for the CBBCs;
- the probable range of the Cash Settlement Amount;
- our related transaction costs; and
- the creditworthiness of the Issuer.

Although the price of the CBBCs tends to mirror the movement of the Index level in dollar value, movements in the price of the CBBCs may not always correspond with the movements in the Index level, especially when the Spot Level is close to the Call Level. It is possible that the price of the CBBCs does not increase as much as the increase (in respect of the bull CBBCs) or decrease (in respect of the bear CBBCs) in the level of the Index.

Risks of investing in the CBBCs

You must read the section headed "Key Risk Factors" in this document together with the risk factors set out in our Base Listing Document. You should consider all these factors collectively when making your investment decision.

Liquidity

- **How to contact the Liquidity Provider for quotes?**

Liquidity Provider:	UBS Securities Hong Kong Limited
Address:	52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Telephone Number:	+ 852 2971 6628

The Liquidity Provider is regulated by the Stock Exchange and the Securities and Futures Commission. It is an affiliate of the Issuer and will act as our agent in providing quotes. You can request a quote by calling the Liquidity Provider at the telephone number above.

- **What is the Liquidity Provider's maximum response time for a quote?**

  The Liquidity Provider will respond within 10 minutes and the quote will be displayed on the Stock Exchange's designated stock page for the CBBCs.

- **Maximum spread between bid and ask prices**: 20 spreads

- **Minimum quantity for which liquidity will be provided**: 20 Board Lots

- **What are the circumstances under which the Liquidity Provider is not obliged to provide liquidity?**

  There will be circumstances under which the Liquidity Provider is not obliged to provide liquidity. Such circumstances include:

(i) upon the occurrence of a Mandatory Call Event;

(ii) during the first 5 minutes of each morning trading session or the first 5 minutes after trading commences for the first time on a trading day;

(iii) during a pre-opening session or a closing auction session (if applicable) or any other circumstances as may be prescribed by the Stock Exchange;

(iv) when the CBBCs are suspended from trading for any reason;

(v) if there occurs or exists any suspension of or limitation imposed on trading of options or futures contracts relating to the Index or if the Index level is not calculated or published as scheduled for any reason;

(vi) when there are no CBBCs available for market making activities. In such event, the Liquidity Provider shall continue to provide bid prices. CBBCs held by us or any of our affiliates in a fiduciary or agency capacity are not CBBCs available for market making activities;

(vii) when there are operational and technical problems beyond the control of the Liquidity Provider hindering the ability of the Liquidity Provider to provide liquidity;

(viii) if the stock market experiences exceptional price movement and high volatility over a short period of time which materially affects the Liquidity Provider's ability to source a hedge or unwind an existing hedge; or

(ix) if the theoretical value of the CBBCs is less than HK$0.01. If the Liquidity Provider chooses to provide liquidity under this circumstance, both bid and ask prices will be made available.

You should read the sub-section entitled "Possible limited secondary market" under the "Key Risk Factors" section for further information on the key risks when the Liquidity Provider is not able to provide liquidity.

How can you obtain further information?

- **Information about the Index**

  You may obtain information on the Index by visiting the Index Compiler's website at *www.hsi.com.hk*.

- **Information about the CBBCs after issue**

  You may visit the Stock Exchange's website at *www.hkex.com.hk/eng/prod/secprod/cbbc/Intro.htm* or our website at *http://warrants.ubs.com/home/html/cbbc_e.html* to obtain information on the CBBCs or any notice given by us or the Stock Exchange in relation to the CBBCs.

- **Information about us**

  You should read the section “Updated Information about Us” in this document. You may visit *http://www.ubs.com* to obtain general corporate information about us.

We have included references to websites in this document to indicate how further information may be obtained. Information appearing on those websites does not form part of the Listing Documents. We accept no responsibility for the accuracy or completeness of the information appearing on those websites. You should conduct your own due diligence (including without limitation web searches) to ensure that you are viewing the most up-to-date information.

What are the fees and charges?

- **Trading Fees and Levies**

  The Stock Exchange charges a trading fee of 0.005 per cent. and the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. for each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the CBBCs. The levy for the investor compensation fund is currently suspended.

- **Exercise Expenses**

  You are responsible for any Exercise Expenses. Exercise Expenses mean any charges or expenses including any taxes or duties which are incurred in respect of the early termination of the CBBCs upon the occurrence of a Mandatory Call Event or the exercise of the CBBCs at expiry. Any Exercise Expenses will be deducted from the Residual Value or the Cash Settlement Amount payable at expiry (if any, as the case may be). If the Residual Value or the Cash Settlement Amount payable at expiry (as the case may be) is equal to or less than the Exercise Expenses, no amount is payable. As at the date of this document, no Exercise Expenses are payable for cash settled callable bull/bear contracts (including the CBBCs).

- **Stamp Duty**

  No stamp duty is currently payable in Hong Kong on transfer of cash settled callable bull/bear contracts (including the CBBCs).

You should note that any transaction cost will reduce your gain or increase your loss under your investment in the CBBCs.

What is the legal form of the CBBCs?

Each series of the CBBCs will be represented by a global certificate in the name of HKSCC Nominees Limited that is the only legal owner of the CBBCs. We will not issue definitive certificates for the CBBCs. You may arrange for your broker to hold the CBBCs in a securities account on your behalf, or if you have a CCASS Investor Participant securities account, you may arrange for the CBBCs to be held in such account. You will have to rely on the records of CCASS and/or the statements you receive from your brokers as evidence of your beneficial interest in the CBBCs.

Can we adjust the terms or early terminate the CBBCs?

The occurrence of certain events (including, without limitation, a succession of the Index or Index Compiler, modification or cessation of calculation of the Index) may entitle us to adjust the terms and conditions of the CBBCs. However, we are not obliged to adjust the terms and conditions of the CBBCs for every event that affects the Index.

We may early terminate the CBBCs if it becomes illegal or impracticable for us (i) to perform our obligations under the CBBCs as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the CBBCs due to a change in law event. In such event, the amount payable by us (if any) will be the fair market value of the CBBCs less our cost of unwinding any related hedging arrangements as determined by us, which may be substantially less than your initial investment and may be zero.

Please refer to Conditions 3 and 6 for details about adjustments or early termination events. Such events may negatively affect your investment and you may suffer a loss.

Mode of settlement for the CBBCs

Subject to early termination upon the occurrence of a Mandatory Call Event, the CBBCs will be automatically exercised on the Expiry Date in integral multiples of the Board Lot if the Cash Settlement Amount is positive. If the Cash Settlement Amount is zero or negative, or is equal to or less than the Exercise Expenses, you will lose all of your investment.

Upon the occurrence of a Mandatory Call Event, the CBBCs will be early terminated and the holder is entitled to the Residual Value (if any) net of any Exercise Expenses.

We will deliver a cash amount in the Settlement Currency equal to the Residual Value or the Cash Settlement Amount payable at expiry net of any Exercise Expenses (if any) no later than the Settlement Date to HKSCC Nominees Limited (as the registered holder of the CBBCs), which will then distribute such amount to the securities account of your broker (and if applicable, its custodian) or to your CCASS Investor Participant securities account (as the case may be). You may have to rely on your broker (and if applicable, its custodian) to ensure that the Residual Value or the Cash Settlement Amount payable at expiry (if any) is credited to your account maintained with your broker. Once we make the payment to HKSCC Nominees Limited, who operates CCASS, you will have no further right against us for that payment, even if CCASS or your broker (and if applicable, its custodian) does not transfer your share of payment to you, or is late in making such payment transfer.

Payment of the Residual Value or the Cash Settlement Amount payable at expiry (if any) may be delayed if a Settlement Disruption Event occurs on the Settlement Date, as a result of which we are unable to deliver such amount through CCASS on such day. See Condition 4(G) for further information.

Where can you inspect the relevant documents of the CBBCs?

The following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and holidays excepted) until the Expiry Date at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong:

- each of the Listing Documents (in separate English and Chinese versions), including:
  - this document
  - our Base Listing Document
  - the addendum to the Base Listing Document dated 24 November 2017
- our latest audited consolidated financial statements and any interim or quarterly financial statements;
- the consent letter of our Auditors; and
- the instrument executed by us on 10 April 2006.

The Listing Documents are also available on the website of the HKEX at *www.hkexnews.hk* and our website at *http://warrants.ubs.com/home/html/cbbc_e.html*.

各上市文件亦可於香港交易所披露易網站(*www.hkexnews.hk*) 以及本公司網站*http://warrants.ubs.com/home/html/cbbc_c.html*瀏覽。

Are there any dealings in the CBBCs before the Listing Date?

It is possible that there may have been dealings in the CBBCs before the Listing Date. If there are any dealings in the CBBCs by us or any of our subsidiaries or associated companies from the Launch Date prior to the Listing Date, we will report those dealings to the Stock Exchange by the Listing Date and such report will be released on the website of the Stock Exchange.

Have the auditors consented to the inclusion of their report to the Listing Documents?

Our auditors ("**Auditors**") have given and have not since withdrawn their written consent to the inclusion of their report dated 9 March 2017 and/or the references to their name in our Base Listing Document, in the form and context in which they are included. Their report was not prepared exclusively for incorporation into our Base Listing Document. The Auditors do not own any of our shares or shares in any member of our group, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or securities of any member of our group.

Authorisation of the CBBCs

The issue of the CBBCs was authorised by our board of directors on 19 September 2001.

Selling restrictions

The CBBCs have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and will not be offered, sold, delivered or traded, at any time, indirectly or directly, in the United States or to, or for the account or benefit of, any U.S. person (as defined in the Securities Act).

The offer or transfer of the CBBCs is also subject to the selling restrictions specified in our Base Listing Document.

Capitalised terms and inconsistency

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the Conditions. If this document is inconsistent with our Base Listing Document, this document shall prevail.

INFORMATION ON THE INDEX

The information on the Index set out below is extracted from or based on publicly available information and, in particular, information from the Index Compiler. We do not give any representation whatsoever as to the truth, accuracy, completeness, adequacy or reasonableness of any of the information contained therein whether as at the date of this document or any other time, save that we have taken reasonable care to correctly extract, summarise and/or reproduce such information.

Who is the Index Compiler?

Hang Seng Indexes Company Limited. The Index is managed and compiled by the Index Compiler, which is a wholly-owned subsidiary of Hang Seng Bank Limited.

How is the Index level disseminated?

The Index level is disseminated through the website of the Index Compiler at *http://www.hsi.com.hk* and various information vendors. You should contact your stockbroker for further information.

Index disclaimer

The Index is published and compiled by Hang Seng Indexes Company Limited pursuant to a licence from Hang Seng Data Services Limited. The mark and name Hang Seng Index are proprietary to Hang Seng Data Services Limited. Hang Seng Indexes Company Limited and Hang Seng Data Services Limited have agreed to the use of, and reference to, the Index by the Issuer in connection with the CBBCs (the "**Product**"), **BUT NEITHER HANG SENG INDEXES COMPANY LIMITED NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF THE INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF THE INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO THE INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of the Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by Hang Seng Indexes Company Limited without notice. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY HANG SENG INDEXES COMPANY LIMITED OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO THE INDEX BY THE ISSUER IN CONNECTION WITH THE PRODUCT; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF HANG SENG INDEXES COMPANY LIMITED IN THE COMPUTATION OF THE INDEX; OR (iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF THE INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY BROKER OR HOLDER OF THE PRODUCT OR ANY OTHER PERSON DEALING WITH THE PRODUCT AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST HANG SENG INDEXES COMPANY LIMITED AND/OR HANG SENG DATA SERVICES LIMITED** in connection with the Product in any manner whatsoever by any broker, holder or other person dealing with the Product. Any broker, holder or other person dealing with the Product does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on Hang Seng Indexes Company Limited and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any broker, holder or other person and Hang Seng Indexes Company Limited and/or Hang Seng Data Services Limited and must not be construed to have created such relationship.

KEY RISK FACTORS

You must read these key risk factors together with the risk factors set out in our Base Listing Document. These key risk factors do not necessarily cover all risks related to the CBBCs. If you have any concerns or doubts about the CBBCs, you should obtain independent professional advice.

Non-collateralised structured products
The CBBCs are not secured on any of our assets or any collateral.

Credit risk
If you invest in the CBBCs, you are relying on our creditworthiness and of no other person. If we become insolvent or default on our obligations under the CBBCs, you can only claim as our unsecured creditor regardless of the performance of the Index and may not be able to recover all or even part of the amount due under the CBBCs (if any). You have no rights under the terms of the CBBCs against the Index Compiler or any company which has issued any constituent securities of the Index.

Resolution and recovery regime
We, UBS AG, are incorporated in Switzerland. Under the Swiss Banking Act, the Swiss Financial Market Supervisory Authority FINMA is able to exercise broad statutory powers with respect to Swiss banks and Swiss parent companies of financial groups, such as UBS AG and UBS Group AG (i.e. our holding company), if there is justified concern that the entity is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfils capital adequacy requirements. These powers include powers to (i) transfer all or some of our liabilities under the CBBCs to another entity and (ii) convert into equity or write down our liabilities under the CBBCs. The exercise of any resolution power by the relevant resolution authorities in respect of UBS AG could materially adversely affect the value of, or your potential return under, the CBBCs. In the worst case scenario, you may get nothing back and you could lose all of your investment.

Financial Institutions (Resolution) Ordinance
The Financial Institutions (Resolution) Ordinance (Cap. 628, the Laws of Hong Kong) (the "**FIRO**") was enacted by the Legislative Council of Hong Kong in June 2016. The FIRO (except Part 8, section 192 and Division 10 of Part 15 thereof) came into operation on 7 July 2017.

The FIRO provides a regime for the orderly resolution of financial institutions with a view to avoiding or mitigating the risks otherwise posed by their non-viability to the stability and effective working of the financial system of Hong Kong, including the continued performance of critical financial functions. The FIRO seeks to provide the relevant resolution authorities with a range of powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, it is envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution, including but not limited to powers to write off, or convert into equity, all or a part of the liabilities of the failing financial institution.

As an authorised institution regulated by the Hong Kong Monetary Authority, we are subject to and bound by the FIRO. The exercise of any resolution power by the relevant resolution authority under the FIRO in respect of us may have a material adverse effect on the value of the CBBCs, and as a result, you may not be able to recover all or any amount due under the CBBCs.

CBBCs are not principal protected and may become worthless
Given the gearing effect inherent in the CBBCs, a small change in the Index level may lead to a substantial price movement in the CBBCs.

Unlike stocks, the CBBCs have a limited life and will be early terminated upon the occurrence of a Mandatory Call Event or expire on the Expiry Date. In the worst case, the CBBCs may be early terminated or expire with no value and you will lose all of your investment. The CBBCs may only be suitable for experienced investors who are willing to accept the risk that they may lose all their investment.

The CBBCs can be volatile
Prices of the CBBCs may rise or fall rapidly. You should carefully consider, among other things, the following factors before dealing in the CBBCs:

(i) the Strike Level and Call Level of the CBBCs;
(ii) the likelihood of the occurrence of a Mandatory Call Event;
(iii) the probable range of Residual Value (if any) upon the occurrence of a Mandatory Call Event;
(iv) the time remaining to expiry;
(v) the interim interest rates and expected dividend payments or other distributions on any components comprising the Index;
(vi) the liquidity of the futures contracts relating to the Index;
(vii) the supply and demand for the CBBCs;
(viii) the probable range of the Cash Settlement Amount;
(ix) the related transaction cost (including the Exercise Expenses, if any); and
(x) the creditworthiness of the Issuer.

The value of the CBBCs may not correspond with the movements in the level of the Index. If you buy the CBBCs with a view to hedge against your exposure to any futures contract relating to the Index, it is possible that you could suffer loss in your investment in that futures contract and the CBBCs.

In particular, you should note that when the Spot Level of the Index is close to the Call Level, the trading price of the CBBCs will be more volatile. The change in the trading price of the CBBCs may not be comparable and may be disproportionate with the change in the Index level. In such case, a small change in the Index level may lead to a substantial price movement in the CBBCs.

You may lose your entire investment when a Mandatory Call Event occurs
Unlike warrants, CBBCs has a mandatory call feature and trading in the CBBCs will be suspended when the Spot Level reaches the Call Level (subject to the circumstances in which a Mandatory Call Event will be reversed as set out in the sub-section titled "Mandatory Call Event is irrevocable" below). No investors can sell the CBBCs after the occurrence of a Mandatory Call Event. Even if the level of the Index bounces back in the right direction, the CBBCs which have been terminated as a result of the Mandatory Call Event will not be revived and investors will not be able to profit from the bounce-back. Investors may receive a Residual Value after the occurrence of a Mandatory Call Event but such amount may be zero.

Mandatory Call Event is irrevocable
A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

(i) report of system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Level or other parameters) by the Stock Exchange to us; or
(ii) report of manifest errors caused by the relevant third party price source where applicable by us to the Stock Exchange,

and we agree with the Stock Exchange that such Mandatory Call Event is to be revoked provided that such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In such case, the Mandatory Call Event so triggered will be reversed and all trades cancelled (if any) will be reinstated and the trading of the CBBCs will resume.

Delay in Mandatory Call Event notification
We will notify the market as soon as reasonably practicable after the occurrence of a Mandatory Call Event. You should be aware that there may be a delay in our announcement of a Mandatory Call Event due to technical errors, system failures and other factors that are beyond the reasonable control of the Stock Exchange and us.

Non-Recognition of Post MCE Trades
The Stock Exchange and its recognised exchange controller, HKEX, will not incur any liability (whether based on contract, tort, (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for, any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading ("**Trading Suspension**") or the non-recognition of trades after a Mandatory Call Event ("**Non-Recognition of Post MCE Trades**"), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event, notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Fluctuation in the Funding Cost
The Issue Price of the CBBCs is set by reference to the difference between the initial reference spot level of the Index and the Strike Level, plus the applicable Funding Cost as of the Launch Date. The initial Funding Cost applicable to the CBBCs is specified on the cover page of this document. It will fluctuate throughout the life of the CBBCs as the funding rate may change from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Level, the prevailing interest rate, the expected life of the CBBCs, any expected notional dividends in respect of any securities comprising the Index and the margin financing provided by us.

Residual Value will not include residual Funding Cost
The Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event will not include the residual Funding Cost for the CBBCs. When a Mandatory Call Event occurs, the investors will lose the Funding Cost for the full period.

Our hedging activities
Our trading and/or hedging activities or those of our related parties related to the CBBCs and/or other financial instruments issued by us from time to time may have an impact on the Index level and may trigger a Mandatory Call Event.

In particular, when the Spot Level of the Index is close to the Call Level, our unwinding activities in relation to the Index may cause a fall or rise (as the case may be) in the Index level leading to a Mandatory Call Event as a result of such unwinding activities.

Before the occurrence of a Mandatory Call Event, we or our related party may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from the market from time to time. Upon the occurrence of a Mandatory Call Event, we or our related party may unwind any hedging transactions relating to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the Index level and consequently the Residual Value for the CBBCs.

Time decay
All other factors being equal, the value of a CBBC is likely to decrease over time. Therefore, the CBBCs should not be viewed as a product for long term investments.

Possible limited secondary market
The Liquidity Provider may be the only market participant for the CBBCs and therefore the secondary market for the CBBCs may be limited. The more limited the secondary market, the more difficult it may be for you to realise the value in the CBBCs prior to expiry.

You should also be aware that the Liquidity Provider may not be able to provide liquidity when there are operational and technical problem hindering its ability to do so. Even if the Liquidity Provider is able to provide liquidity in such circumstances, its performance of liquidity provision may be adversely affected. For example:

(i) the spread between bid and ask prices quoted by the Liquidity Provider may be significantly wider than its normal standard;

(ii) the quantity for which liquidity will be provided by the Liquidity Provider may be significantly smaller than its normal standard; and/or

(iii) the Liquidity Provider's response time for a quote may be significantly longer than its normal standard.

Change of calculation methodology or failure to publish the Index
If there is a material change in the calculation of the Index level or a failure to publish the Index, we may determine the Closing Level on the basis of the method last in effect prior to such change or failure.

Publication of Index level when component shares are not trading
The Index Compiler may publish the Index level at a time when one or more shares comprising the Index are not trading.

Adjustment related risk
The occurrence of certain events (including, without limitation, a succession of the Index or Index Compiler, modification or cessation of calculation of the Index) may entitle us to adjust the terms and conditions of the CBBCs. However, we are not obliged to adjust the terms and conditions of the CBBCs for every event that affects the Index. Any adjustment or decision not to make any adjustment may adversely affect the value of the CBBCs. Please refer to Condition 6 for details about adjustments.

Possible early termination
We may early terminate the CBBCs if it becomes illegal or impracticable for us (i) to perform our obligations under the CBBCs as a result of a change in law event, or (ii) to maintain our hedging arrangement with respect to the CBBCs due to a change in law event. In such event, the amount payable by us (if any) will be the fair market value of the CBBCs less our costs of unwinding any related hedging arrangements as determined by us, which may be substantially less than your initial investment and may be zero. Please refer to Condition 3 for details about our early termination rights.

Time lag between early termination or exercise and settlement of the CBBCs
There is a time lag between the early termination or exercise of the CBBCs and payment of the Residual Value or the Cash Settlement Amount payable at expiry net of Exercise Expenses (if any). There may be delays in the electronic settlement or payment through CCASS.

Conflict of interest
We and our subsidiaries and affiliates engage in a wide range of commercial and investment banking, brokerage, funds management, hedging, investment and other activities and may possess material information about the Index or issue or update research reports on the Index. Such activities, information and/or research reports may involve or affect the Index and may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of the CBBCs. We have no obligation to disclose such information and may issue research reports and engage in any such activities without regard to the issue of the CBBCs.

In the ordinary course of our business, we and our subsidiaries and affiliates may effect transactions for our own account or for the account of our customers and may enter into one or more transactions with respect to the Index or related derivatives. This may indirectly affect your interests.

No direct contractual rights
The CBBCs are issued in global registered form and are held within CCASS. You will not receive any definitive certificate and your name will not be recorded in the register of the CBBCs. The evidence of your interest in the CBBCs, and the efficiency of the ultimate payment of the Residual Value or the Cash Settlement Amount payable at expiry net of Exercise Expenses (if any), are subject to the CCASS Rules. You will have to rely on your broker (or, if applicable, its direct or indirect custodians) and the statements you receive from it as evidence of your interest in the CBBCs. You do not have any direct contractual rights against us. To assert your rights as an investor in the CBBCs, you will have to rely on your broker (and, if applicable, its direct or indirect custodian) to take action on your behalf. If your broker or, if applicable, its direct or indirect custodian:

(i) fails to take action in accordance with your instructions;
(ii) becomes insolvent; or
(iii) defaults on its obligations,

you will need to take action against your broker in accordance with the terms of arrangement between you and your broker to establish your interest in the CBBCs first before you can assert your right of claim against us. You may experience difficulties in taking such legal proceedings. This is a complicated area of law and you should seek independent legal advice for further information.

The Listing Documents should not be relied upon as the sole basis for your investment decision
The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the CBBCs or any futures contracts relating to the Index.

Updated Information about Us

1 Our holding company, UBS Group AG, released its fourth quarter 2017 report for the quarterly period ended on 31 December 2017 on 22 January 2018. You may visit the website at *https://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2017.html* to access UBS Group AG's fourth quarter 2017 report. Please refer to Annex A of this document for the extract of UBS Group AG's fourth quarter 2017 report.

2 Please refer to Annex B of this document for the updated corporate information about UBS AG and UBS Group AG.

3 We, UBS AG, and our holding company, UBS Group AG, released a joint annual report 2017 for the period ended 31 December 2017 on 9 March 2018. You may visit the website at *https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2017.html* to access such annual report. Please refer to Annex C of this document for the extract of UBS AG's annual financial statements.

ANNEX A

The information set out after this page has been extracted without adjustment from UBS Group AG's fourth quarter 2017 report. Page references in the following extract refer to pages in such report.

Comparison UBS Group AG (consolidated) versus UBS AG (consolidated)

	As of or for the quarter ended 31.12.17		
CHF million, except where indicated	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
Income statement			
Operating income	7,122	7,242	(120)
Operating expenses	6,125	6,346	(221)
Operating profit / (loss) before tax	997	896	101
of which: Wealth Management	*488*	*489*	*(1)*
of which: Wealth Management Americas	*343*	*338*	*5*
of which: Personal & Corporate Banking	*392*	*393*	*(1)*
of which: Asset Management	*238*	*238*	*0*
of which: Investment Bank	*49*	*50*	*(1)*
of which: Corporate Center	*(513)*	*(612)*	*99*
of which: Services	*(155)*	*(252)*	*97*
of which: Group ALM	*(214)*	*(217)*	*3*
of which: Non-core and Legacy Portfolio	*(143)*	*(143)*	*0*
Net profit / (loss)	(2,198)	(2,273)	75
of which: net profit / (loss) attributable to shareholders	*(2,224)*	*(2,300)*	*76*
of which: net profit / (loss) attributable to preferred noteholders		*26*	*(26)*
of which: net profit / (loss) attributable to non-controlling interests	*27*	*0*	*27*
Statement of comprehensive income			
Other comprehensive income	184	187	(3)
of which: attributable to shareholders	*(124)*	*(122)*	*(2)*
of which: attributable to preferred noteholders		*307*	*(307)*
of which: attributable to non-controlling interests	*309*	*2*	*307*
Total comprehensive income	(2,013)	(2,086)	73
of which: attributable to shareholders	*(2,349)*	*(2,421)*	*72*
of which: attributable to preferred noteholders		*333*	*(333)*
of which: attributable to non-controlling interests	*336*	*3*	*333*
Balance sheet			
Total assets	915,613	916,334	(721)
Total liabilities	864,230	865,447	(1,217)
Total equity	51,383	50,887	496
of which: equity attributable to shareholders	*51,326*	*50,830*	*496*
of which: equity attributable to preferred noteholders		*0*	*0*
of which: equity attributable to non-controlling interests	*57*	*57*	*0*
Capital information			
Common equity tier 1 capital (fully applied)	32,823	33,393	(570)
Common equity tier 1 capital (phase-in)	35,638	36,186	(548)
Going concern capital (fully applied)	42,063	37,059	5,004
Going concern capital (phase-in)	51,892	46,431	5,461
Risk-weighted assets (fully applied)	237,494	236,606	888
Common equity tier 1 capital ratio (fully applied, %)	13.8	14.1	(0.3)
Common equity tier 1 capital ratio (phase-in, %)	14.9	15.2	(0.3)
Going concern capital ratio (fully applied, %)	17.7	15.7	2.0
Going concern capital ratio (phase-in, %)	21.8	19.6	2.2
Gone concern loss-absorbing capacity ratio (fully applied, %)	15.3	15.8	(0.5)
Leverage ratio denominator (fully applied)	886,116	887,189	(1,073)
Common equity tier 1 leverage ratio (fully applied, %)	3.7	3.8	(0.1)
Going concern leverage ratio (fully applied, %)	4.7	4.2	0.5
Going concern leverage ratio (phase-in, %)	5.8	5.2	0.6
Gone concern leverage ratio (fully applied, %)	4.1	4.2	(0.1)

As of or for the quarter ended 30.9.17			As of or for the quarter ended 31.12.16		
UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)	UBS Group AG (consolidated)	UBS AG (consolidated)	Difference (absolute)
7,145	7,279	(134)	7,055	7,118	(63)
5,924	6,117	(193)	6,308	6,373	(65)
1,221	1,161	60	746	745	1
587	*585*	*2*	*368*	*368*	*0*
315	*307*	*8*	*339*	*338*	*1*
411	*412*	*(1)*	*374*	*375*	*(1)*
127	*127*	*0*	*144*	*144*	*0*
269	*264*	*5*	*306*	*304*	*2*
(490)	*(534)*	*44*	*(784)*	*(783)*	*(1)*
(401)	*(457)*	*56*	*(315)*	*(307)*	*(8)*
(67)	*(56)*	*(11)*	*(144)*	*(150)*	*6*
(22)	*(21)*	*(1)*	*(325)*	*(326)*	*1*
948	905	43	637	639	(2)
946	*904*	*42*	*636*	*638*	*(2)*
	0	*0*		*0*	*0*
2	*2*	*0*	*1*	*1*	*0*
626	630	(4)	(566)	(566)	0
596	*600*	*(4)*	*(553)*	*(553)*	*0*
	30	*(30)*		*(12)*	*12*
29	*0*	*29*	*(13)*	*(1)*	*(12)*
1,574	1,535	39	71	73	(2)
1,543	*1,504*	*39*	*83*	*85*	*(2)*
	30	*(30)*		*(12)*	*12*
31	*1*	*30*	*(12)*	*0*	*(12)*
913,599	914,551	(952)	935,016	935,353	(337)
859,364	860,562	(1,198)	880,714	881,009	(295)
54,236	53,989	247	54,302	54,343	(41)
53,493	*53,246*	*247*	*53,621*	*53,662*	*(41)*
	687	*(687)*		*642*	*(642)*
743	*56*	*687*	*682*	*40*	*642*
32,621	33,337	(716)	30,693	32,447	(1,754)
36,045	36,736	(691)	37,788	39,474	(1,686)
41,493	37,007	4,486	39,844	36,294	3,550
52,318	46,961	5,357	55,593	51,084	4,509
237,963	237,322	641	222,677	223,232	(555)
13.7	14.0	(0.3)	13.8	14.5	(0.7)
15.1	15.4	(0.3)	16.8	17.5	(0.7)
17.4	15.6	1.8	17.9	16.3	1.6
21.9	19.7	2.2	24.7	22.6	2.1
15.5	15.9	(0.4)	13.2	13.3	(0.1)
884,834	885,896	(1,062)	870,470	870,942	(472)
3.7	3.8	(0.1)	3.5	3.7	(0.2)
4.7	4.2	0.5	4.6	4.2	0.4
5.9	5.3	0.6	6.4	5.8	0.6
4.2	4.3	(0.1)	3.4	3.4	0.0

UBS AG (consolidated) key figures

	As of or for the quarter ended			As of or for the year ended	
CHF million, except where indicated	31.12.17	30.9.17	31.12.16	31.12.17	31.12.16
Results					
Operating income	7,242	7,279	7,118	29,479	28,421
Operating expenses	6,346	6,117	6,373	24,339	24,352
Operating profit / (loss) before tax	896	1,161	745	5,140	4,069
Net profit / (loss) attributable to shareholders	(2,300)	904	638	958	3,207
Key performance indicators[1]					
Profitability					
Return on tangible equity (%)	(20.0)	8.0	5.6	2.2	6.9
Cost / income ratio (%)	86.6	84.1	89.2	82.2	85.6
Growth					
Net profit growth (%)		6.9	(32.8)	(70.1)	(48.6)
Net new money growth for combined wealth management businesses (%)	2.5	0.4	(1.1)	2.1	2.1
Resources					
Common equity tier 1 capital ratio (fully applied, %)[2]	14.1	14.0	14.5	14.1	14.5
Common equity tier 1 leverage ratio (fully applied, %)[2]	3.8	3.8	3.7	3.8	3.7
Going concern leverage ratio (fully applied, %)[2]	4.2	4.2	4.2	4.2	4.2
Additional information					
Profitability					
Return on equity (%)	(17.7)	6.9	4.8	1.8	5.9
Return on risk-weighted assets, gross (%)[3]	12.4	12.3	13.0	12.8	13.2
Return on leverage ratio denominator, gross (%)[3]	3.3	3.3	3.3	3.4	3.2
Resources					
Total assets	916,334	914,551	935,353	916,334	935,353
Equity attributable to shareholders	50,830	53,246	53,662	50,830	53,662
Common equity tier 1 capital (fully applied)[2]	33,393	33,337	32,447	33,393	32,447
Common equity tier 1 capital (phase-in)[2]	36,186	36,736	39,474	36,186	39,474
Risk-weighted assets (fully applied)[2]	236,606	237,322	223,232	236,606	223,232
Common equity tier 1 capital ratio (phase-in, %)[2]	15.2	15.4	17.5	15.2	17.5
Going concern capital ratio (fully applied, %)[2]	15.7	15.6	16.3	15.7	16.3
Going concern capital ratio (phase-in, %)[2]	19.6	19.7	22.6	19.6	22.6
Gone concern loss-absorbing capacity ratio (fully applied, %)[2]	15.8	15.9	13.3	15.8	13.3
Leverage ratio denominator (fully applied)[2]	887,189	885,896	870,942	887,189	870,942
Going concern leverage ratio (phase-in, %)[2]	5.2	5.3	5.8	5.2	5.8
Gone concern leverage ratio (fully applied, %)[2]	4.2	4.3	3.4	4.2	3.4
Other					
Invested assets (CHF billion)[4,5]	3,179	3,054	2,810	3,179	2,810
Personnel (full-time equivalents)[6]	46,009	48,949	56,208	46,009	56,208

1 Refer to the "Measurement of performance" section of our Annual Report 2016 for the definitions of our key performance indicators. 2 Based on the Swiss SRB framework. Refer to the "Capital management" section of this report for more information. 3 Calculated as operating income before credit loss (annualized as applicable) / average fully applied risk-weighted assets and average fully applied leverage ratio denominator, respectively. 4 Includes invested assets for Personal & Corporate Banking. 5 Reflects a correction of CHF 13 billion as of 30 September 2017 and of CHF 12 billion as of 31 December 2016. 6 As of 31 December 2017, the breakdown of personnel by business division and Corporate Center unit was: Wealth Management: 9,648; Wealth Management Americas: 13,479; Personal & Corporate Banking: 5,034; Asset Management: 2,312; Investment Bank: 4,633; Corporate Center – Services: 10,707; Corporate Center – Group ALM: 143; Corporate Center – Non-core and Legacy Portfolio: 52.

ANNEX B

The information set out after this page shall replace the section headed "Information in relation to us" on pages 14-17 of our Base Listing Document in its entirety.

1. Overview

UBS AG with its subsidiaries (together, "**UBS AG consolidated**", or "**UBS AG Group**"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "**UBS Group**", "**Group**", "**UBS**" or "**UBS Group AG consolidated**") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and the business divisions Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy is centered on its wealth management business and its universal bank in Switzerland, which are enhanced by Asset Management and the Investment Bank.

2. Corporate Information

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

The company was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the company changed its name to UBS AG. The company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561.

UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an *Aktiengesellschaft*, a corporation limited by shares.

According to article 2 of the articles of association of UBS AG dated 4 May 2016, the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.

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

3. Business Overview

3.1 Organizational Structure of UBS AG

UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions (Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank) and a Corporate Center.

Since 2014, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and other countries in which the Group operates.

In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and became the holding company of the UBS Group. During 2015, UBS Group AG completed a court procedure under the Swiss Stock Exchange and Securities Trading Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG owns 100% of the outstanding shares of UBS AG.

In June 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. Also in 2015, UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, and established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.

In the second half of 2015, UBS transferred the ownership of the majority of its existing service subsidiaries outside the US to UBS Business Solutions AG. As of 1 January 2017, UBS completed the transfer of the shared service employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG. UBS transferred from UBS AG to UBS Business Solutions AG the shared services functions in Switzerland and in the UK in the second and in the fourth quarters of 2017, respectively.

As of 1 July 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Act. UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.

UBS transferred the majority of the operating subsidiaries of Asset Management to UBS Asset Management AG during 2016. Furthermore, UBS merged its Wealth Management subsidiaries in Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain into UBS Deutschland AG, which was renamed to UBS Europe SE, to establish UBS's new European legal entity which is headquartered in Frankfurt, Germany.

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments, including the anticipated exit of the United Kingdom from the European Union. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, further consolidation of operating subsidiaries in the EU and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**") and other regulatory authorities and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2016, including interests in significant subsidiaries, are discussed in "*Note 28 Interests in subsidiaries and other entities*" to the UBS Group AG's consolidated financial statements included in the UBS Group AG and UBS AG Annual Report 2016 published on 10 March 2017 ("**Annual Report 2016**").

UBS AG's interests in subsidiaries and other entities as of 31 December 2016, including interests in significant subsidiaries, are discussed in "*Note 28 Interests in subsidiaries and other entities*" to the UBS AG's consolidated financial statements included in the Annual Report 2016.

3.2 Recent Developments

Recent developments

Significant tax law changes enacted in the US

In December 2017, the Tax Cuts and Jobs Act ("**TCJA**") was signed into law. The act includes a reduction in the federal corporate tax rate to 21% from 35%. The rate reduction resulted in a CHF 2.9 billion net write-down in the Group's deferred tax assets ("**DTAs**") in the fourth quarter of 2017. The net decrease in DTAs had a negligible impact on UBS's fully applied CET1 capital.

The TCJA also introduces a new minimum tax regime, referred to as the base erosion and anti-abuse tax ("**BEAT**") which targets US businesses benefiting from deductible payments made to non-US related parties. The BEAT rate, which is 6% for banks in 2018, increasing to 11% in 2019 and to 13.5% in 2026, applies if BEAT, calculated on a modified taxable income base, is higher than the regular federal corporate tax in a given year. UBS currently expects that BEAT could increase its tax liability by up to CHF 60 million in 2018. UBS is considering options to mitigate its effects and awaiting guidance from the US Treasury Department on key aspects of the new tax law. Additionally, the enactment of the TCJA may lead UBS to review its approach to periodically remeasuring its US DTAs and the timing for recognizing deferred tax in its income statement. For 2018, UBS currently forecasts a full-year tax rate of approximately 25%, excluding the effects on the tax rate from any periodic remeasurement of DTAs and any change in the manner in which UBS remeasures DTAs.

Finalization of the Basel III capital framework and related developments in Switzerland

In December 2017, the Basel Committee on Banking Supervision announced the finalization of the Basel III reforms. The most significant changes include: (i) placing floors on certain model inputs under the internal ratings-based approach to calculate credit risk risk-weighted assets ("**RWA**"); (ii) requiring the use of standardized approaches for calculation of credit valuation adjustment and for operational risk RWA; (iii) placing an aggregate output floor on the Group RWA equal to 72.5% of the RWA calculated using a revised standardized approach; and (iv) revising the leverage ratio denominator ("**LRD**") calculation and introducing a leverage ratio surcharge for global systematically important banks.

The revised standards will take effect from 1 January 2022, with a phase-in period of five years for the aggregate output floor. The extent to which these revisions will impact UBS's RWA and LRD is being assessed and may lead UBS to take mitigating actions. The impact on UBS will depend on the implementation at a national level.

The Swiss Federal Council adopted revisions to the Capital Adequacy Ordinance that will introduce a more restrictive treatment of risk concentrations. From 1 January 2019, risk concentration limits for exposures with global systemically important banks will be lowered and calculated on the basis of tier 1 capital, excess capital will no longer be able to be used to compensate for exposures above the limit and the standardized approach for calculation of exposures will be required. In addition, direct and indirect exposures will need to be aggregated at counterparty level.

Over the next three years, as a result of known regulatory changes and estimated business growth, UBS estimates its RWA may increase by around CHF 40 billion and its LRD may rise by around CHF 85 billion. Actual increases may vary depending on growth opportunities, market conditions and mitigation actions. As a consequence, and based on the estimates above, UBS may build approximately CHF 4 billion of additional fully applied CET1 capital over the next three years, subject to market conditions, as well as RWA and LRD development. UBS currently estimates that the introduction of the revised Basel III framework on 1 January 2022 will likely lead to a further net increase in RWA of around CHF 35 billion, before taking into account mitigation actions. These estimates are based on UBS's current understanding of the relevant standards and may change as a result of new or changed regulatory interpretations, implementation of the Basel III standards into national law, changes in business growth, market conditions and other factors. UBS will update its CET1 capital ratio guidance when further details on the implementation of the final Basel III standards become available.

IFRS 9, Financial Instruments

UBS adopted IFRS 9, Financial Instruments from 1 January 2018. IFRS 9 imposes expected credit loss requirements that change the accounting and reporting for the majority of UBS's loan assets. Additionally, IFRS 9 introduces new classification and measurement requirements, that require a consideration of the contractual cash flow characteristics of the relevant instrument and the associated business model and eliminate, among other things, the previous accounting and reporting treatment of investments held as available for sale. UBS also early adopted the Amendment to IFRS 9, Prepayment Features with Negative Compensation, which allows UBS to continue to apply amortized cost accounting to Swiss private mortgages and corporate loans that provide for two-way compensation if a prepayment occurs.

UBS will recognize the estimated effect from adopting IFRS 9 of approximately CHF 0.7 billion, net of tax, as a reduction in UBS's IFRS consolidated equity as of 1 January 2018. Approximately half of this amount is attributable to certain loans and securities that no longer qualify for amortized cost accounting due to their cash flow characteristics or UBS's underlying business model. These instruments will now be measured at fair value through profit or loss under IFRS 9. The remainder of the reduction results from recognizing expected credit losses on all financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, lease receivables, financial guarantees and loan commitments. As permitted by IFRS 9, UBS will not restate prior-period data.

UBS's fully applied CET1 capital is expected to be reduced by approximately CHF 0.3 billion as of 1 January 2018 with no material impact on its capital ratios.

UBS will not adopt the optional IFRS 9 hedge accounting requirements pending completion of the International Accounting Standards Board's project on macro hedge accounting strategies.

Developments related to the implementation of MiFID II / MiFIR

In the EU, the revised Markets in Financial Instruments Directive and the associated Regulation ("**MiFID II**" / "**MiFIR**") took effect on 3 January 2018. MiFID II, among other things, introduces substantial new regulation of exchanges and trading venues, including new pre-trade and post-trade transparency requirements, a ban on the practice of using commissions on transactions to compensate for research services and substantial new conduct requirements for financial services firms when dealing with clients.

In December 2017, the European Commission made equivalence determinations for trading venues in Switzerland, the US, Australia and Hong Kong. The equivalence decisions were necessary to permit EU-domiciled institutions and clients to continue to execute transactions on non-EU-domiciled trading venues. The Swiss equivalence decision is limited to one year and is linked to the progress of negotiations on the future establishment of an EU-Swiss Institutional Agreement. Compliance with the new requirements has required significant investment and changes to operations for us, UBS's clients and other financial services firms. Given its scale, MiFID II may result in changes to relevant markets and businesses and could lead to a reduction in commission rates and trading margins. UBS continues to assess the effect on its businesses, in particular the requirement to price research and execution services separately, and whether these changes affect the timing of recognition of certain fee income.

Changes to the Pension Fund of UBS in Switzerland

As a result of the effects of continuing low and in some cases negative interest rates, diminished investment return expectations and increasing life expectancy, the Pension Fund of UBS in Switzerland and UBS have agreed measures that will take effect from the start of 2019 to support the long-term financial stability of the pension fund. As a result, the conversion rate will be lowered, the regular retirement age and employee contributions will be increased, and savings contributions will start earlier. These measures will have no impact on current pensioners of UBS.

To mitigate the effects of the reduction of the conversion rate on future pensions, UBS will make a payment of up to CHF 720 million in three instalments in 2020, 2021 and 2022. The annual payments are expected to reduce UBS's fully applied CET1 capital by approximately CHF 200 million per year over the instalment period, with no effect on the income statement.

In accordance with International Financial Reporting Standards, these measures, including the payment made by UBS, will lead to a reduction in the pension obligation recognized by UBS, resulting in a pre-tax gain of CHF 225 million in the first quarter of 2018, which will be booked in personnel expenses across the business divisions and Corporate Center and treated as an adjusting item. This will not affect total equity or CET1 capital.

Progress on the negotiations for the UK's withdrawal from the EU

In December 2017, the UK and the remaining EU member states reached an agreement on the separation issues under Phase I of the negotiations for the UK's withdrawal from the EU. As a result, the European Council agreed that "sufficient progress" had been made to allow the negotiations to move to Phase II on transitional arrangements and the future EU-UK relationship. The European Banking Authority published an opinion that provides guidance to national authorities on issues related to firms relocating from the UK to other EU member states. The guidance is intended to ensure a consistent approach across the EU to authorizations, prudential regulation, internal models and outsourcing. The UK is still expected to leave the EU in March 2019, subject to a possible transition period. UBS intends to begin implementation of contingency measures in early 2018.

International developments related to recovery and resolution

In November 2017, the Financial Stability Board opened two consultations on bail-in execution and funding in resolution. The consultation on bail-in proposes principles to make bail-in resolution strategies operational, including disclosures on the instruments and liabilities within the scope of bail-in, the valuation process, governance issues and market and creditor communications. The consultation on funding in resolution proposes guidelines to support the monitoring, reporting and estimation of funding needs in resolution and to facilitate execution of the funding strategy.

In the UK, the Bank of England consulted on its policy for setting minimum requirements for own funds and eligible liabilities ("**MREL**") within groups. It proposes to require internal MREL at between 75% and 90% of the Pillar 1 external MREL requirement, which will be phased in between 1 January 2020 and 1 January 2022. The BoE also proposes to take into account the equivalent requirements used in other jurisdictions, which could result in a required internal MREL level at the higher end of the range. UBS Limited is expected to be subject to these requirements; however, the exact impact can only be determined once the BoE finalizes its policy. In addition, firms would need to hold loss-absorbing capacity for operational continuity for each provider of critical services within the group calibrated at 25% of total operating costs. This proposal could apply to a number of UBS entities in different jurisdictions that provide services to UBS Limited and is expected to take effect on 1 January 2020.

Refer to the "*Recent developments*" section of the UBS fourth quarter 2017 report published on 22 January 2018 ("**Fourth Quarter 2017 Report**") for information on further recent regulatory and legal developments.

3.3 Trend Information

As indicated in the Fourth Quarter 2017 Report, UBS expects the improved investor confidence and the macroeconomic developments observed in 2017, as well as typical seasonality, to continue to benefit UBS's global wealth management businesses. However, low market volatility is likely to persist in the short term, affecting institutional client activity levels in particular. The positive effect of rising US dollar interest rates on net interest margins will be limited by the continuing low and negative interest rates in Switzerland and the eurozone. Geopolitical factors continue to remain a risk. Implementing the recently agreed upon changes to the Basel III capital standards will result in increasing capital requirements and costs. UBS is well positioned to deal with these challenges and to mitigate their impact on overall performance and profitability by staying disciplined on cost whilst investing in its businesses and infrastructure. By continuing to execute its strategy with discipline, UBS stands to benefit from any further improvement in market conditions.

Refer to "*Current market climate and industry trends*" and "*Risk factors*" in the "*Operating environment and strategy*" section of the Annual Report 2016 for more information.

4. Board of Directors ("BoD")

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

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

4.1 Members of the Board of Directors

The current members of the BoD are listed below. In addition, the BoD announced that it will nominate Jeremy Anderson for election to the BoD at the AGM.

Member	Title	Term of office	Current principal positions outside UBS AG
Axel A. Weber	Chairman	2018	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; member of the Board of Trustees of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; President of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the Monetary Economics and International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Chairman of the DIW Berlin Board of Trustees; Advisory Board member of the Department of Economics at the University of Zurich; member of the Trilateral Commission.
Michel Demaré	Independent Vice Chairman	2018	Independent Vice-Chairman of the Board of Directors of UBS Group AG; board member of Louis-Dreyfus Commodities Holdings BV; Vice Chairman of the Supervisory Board of IMD, Lausanne; Advisory Board member of the Department of Banking and Finance at the University of Zurich.
David Sidwell	Member	2018	Senior Independent Director of the Board of Directors of UBS Group AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York; Director of the National Council on Aging, Washington D.C.
Reto Francioni	Member	2018	Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG; Chairman of the board of Swiss International Air Lines AG; board member of Francioni AG; board member of MedTech Innovation Partners AG.
Ann F. Godbehere	Member	2018	Member of the Board of Directors of UBS Group AG; board member of Rio Tinto plc (chairman of the audit committee); board member of Rio Tinto Limited (chairman of the audit committee); board member of British American Tobacco plc.

William G. Parrett	Member	2018	Member of the Board of Directors of UBS Group AG; chairman of the Board of UBS Americas Holding LLC; board member of the Eastman Kodak Company (chairman of the audit and finance committee); board member of the Blackstone Group LP (chairman of the audit committee and chairman of the conflicts committee); board member of Thermo Fisher Scientific Inc. (chairman of the audit committee); Chairman of the Board of Conduent Inc; member of the Carnegie Hall Board of Trustees; Past Chairman of the board of the United States Council for International Business; Past Chairman of United Way Worldwide.
Julie G. Richardson	Member	2018	Member of the Board of Directors of UBS Group AG; board member of The Hartford Financial Services Group, Inc. (chairman of the audit committee); board member of Yext (chairman of the audit committee); board member of Vereit, Inc. (chairman of the compensation committee).
Isabelle Romy	Member	2018	Member of the Board of Directors of UBS Group AG; partner and board member at Froriep Legal AG, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; vice chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF; Supervisory Board member of the CAS program Financial Regulation of the University of Bern and University of Geneva.
Robert W. Scully	Member	2018	Member of the Board of Directors of UBS Group AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School.
Beatrice Weder di Mauro	Member	2018	Member of the Board of Directors of UBS Group AG; distinguished fellow at INSEAD in Singapore (on leave from the University of Mainz); Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees; Economic Advisory Board member of Fraport AG; Advisory Board member of Deloitte Germany; Deputy Chairman of the University Council of the University of Mainz.
Dieter Wemmer	Member	2018	Member of the Board of Directors of UBS Group AG; member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; member of the Berlin Center of Corporate Governance.

5. Litigation, Regulatory and Similar Matters

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

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

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in the section "*Provisions and contingent liabilities*" of the UBS Group AG's interim consolidated financial information (unaudited) included in the Fourth Quarter 2017 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement ("**NPA**") described in item E of this section, which UBS entered into with the US Department of Justice ("**DOJ**"), Criminal Division, Fraud Section in connection with UBS's submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("**LIBOR**"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining UBS's capital requirements. Information concerning UBS's capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the Fourth Quarter 2017 Report.

Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit [1]

CHF million	**Wealth Manage-ment**	**Wealth Managem ent Americas**	**Personal & Corporate Banking**	**Asset Manage-ment**	**Investmen t Bank**	**CC – Services**	**CC – Group ALM**	**CC – Non-core and Legacy Portfolio**	**UBS**
Balance as of 31 December 2016	292	425	78	5	616	259	0	1,585	3,261
Balance as of 30 September 2017	279	325	78	0	344	241	0	1,144	2,410
Increase in provisions recognized in the income statement	4	18	2	1	6	0	0	38	**69**
Release of provisions recognized in the income statement	(1)	(2)	0	0	(1)	(1)	0	(22)	**(27)**
Provisions used in conformity with designated purpose	(80)	(43)	(2)	0	(5)	0	0	(36)	**(167)**
Foreign currency translation / unwind of discount	6	3	0	0	2	0	0	8	**19**
Balance as of 31 December 2017	**207**	**299**	**79**	**1**	**345**	**240**	**0**	**1,132**	**2,303**

1 Provisions, if any, for the matters described in this disclosure are recorded in Wealth Management (item C), Wealth Management Americas (item D), the Investment Bank (item G) and Corporate Center – Non-core and Legacy Portfolio (item B). Provisions, if any, for the matters described in items A and F of this disclosure are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this disclosure in item E are allocated between the Investment Bank, Corporate Center – Services and Corporate Center – Non-core and Legacy Portfolio.

A. Inquiries regarding cross-border wealth management businesses

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

The Swiss Federal Administrative Court ruled in 2016 that in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders.

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

In February 2016, the investigating judges notified UBS AG and UBS (France) S.A. that they have closed their investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation. In March 2017, the investigating judges issued the trial order that charges UBS AG and UBS (France) S.A., as well as various former employees, with illicit solicitation of clients on French territory and with participation in the laundering of the proceeds of tax fraud, and which transfers the case to court. The trial schedule has not yet been announced. In October 2017, the Investigation Chamber of the Court of Appeals decided that UBS (France) S.A. shall not be constituted as a civil party in the guilty plea proceedings against the former UBS (France) S.A. Head of Front Office. UBS (France) S.A. has appealed this decision to the French Supreme Court.

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

In 2015, UBS received inquiries from the US Attorney's Office for the Eastern District of New York and from the US Securities and Exchange Commission ("**SEC**"), which are investigating potential sales to US persons of bearer bonds and other unregistered securities in possible violation of the Tax Equity and Fiscal Responsibility Act of 1982 and the registration requirements of the US securities laws. UBS is cooperating with the authorities in these investigations.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

UBS's balance sheet at 31 December 2017 reflected provisions with respect to matters described in this item A in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("**RMBS**") and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("**UBS RESI**"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitization trusts. In this manner, from 2004 through 2007, UBS RESI sponsored approximately US dollar ("**USD**") 80 billion in RMBS, based on the original principal balances of the securities issued.

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totaled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A branch of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008, and securitized less than half of these loans.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses.

In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the US District Court for the Southern District of New York ("**SDNY**") seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations with an original principal balance of approximately USD 2 billion. Approximately

9,000 loans were at issue in a bench trial in the SDNY in 2016, following which the court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The court further ordered that a lead master be appointed to apply the court's rulings to the loans that remain at issue following the trial. In October 2017, UBS and certain holders of the RMBS in the Trustee Suit entered into an agreement under which UBS has agreed to pay an aggregate of USD 543 million into the relevant RMBS trusts, plus certain attorneys' fees. A portion of these settlement costs will be borne by other parties that indemnified UBS. The agreement is subject to the trustee for the RMBS trusts becoming a party thereto. The security holders who are parties to the settlement agreement have requested that the trustee conduct a vote of security holders to approve or reject the settlement, and each of these security holders has agreed to vote its securities in favor of the settlement. Giving effect to this settlement, UBS considers claims relating to substantially all loan repurchase demands to be resolved, and believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

Mortgage-related regulatory matters: In 2014, UBS received a subpoena from the US Attorney's Office for the Eastern District of New York issued pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("**FIRREA**"), which seeks documents and information related to UBS's RMBS business from 2005 through 2007. In 2015, the Eastern District of New York identified a number of transactions that are the focus of their inquiry, and subsequently provided a revised list of transactions. UBS has provided information in response to this subpoena. UBS has also received and responded to subpoenas from the New York State Attorney General ("**NYAG**") and other state attorneys general relating to UBS's RMBS business. In 2017, the NYAG identified a number of transactions that are the focus of their inquiry. In addition, UBS responded to inquiries from both the Special Inspector General for the Troubled Asset Relief Program (who is working in conjunction with the US Attorney's Office for Connecticut and the DOJ) and the SEC relating to trading practices in connection with purchases and sales of mortgage-backed securities in the secondary market from 2009 through 2014. UBS is cooperating with the authorities in these matters.

UBS's balance sheet at 31 December 2017 reflected a provision with respect to matters described in this item B in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

C. Madoff

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

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

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

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of fraudulent conveyances and preference payments. In 2016, the Bankruptcy Court dismissed the remaining claims against the UBS entities. The BMIS Trustee appealed. In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to those made by the BMIS Trustee, and seeking unspecified damages. These claims have either been voluntarily withdrawn or dismissed on the basis that the courts did not have jurisdiction to hear the claims against the UBS entities. In 2016, the plaintiff in one of those claims appealed the dismissal.

D. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 2.4 billion, of which claims with aggregate claimed damages of USD 1.4 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied. Defendants' requests for permission to appeal that ruling were denied by the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. In 2016, defendants' motion to dismiss was granted in part and denied in part. In 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid. The trial court denied defendant's motion for summary judgment based on a forum selection clause in the loan agreements. The Puerto Rico Supreme Court reversed that decision and remanded the case back to the trial court for reconsideration. On reconsideration the trial court granted defendant's motion and dismissed the action.

In 2014, UBS reached a settlement with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico ("**OCFI**") in connection with OCFI's examination of UBS's operations from January 2006 through September 2013, pursuant to which UBS is paying up to an aggregate of USD 7.7 million in investor education contributions and restitution.

In 2015, the SEC and the Financial Industry Regulatory Authority ("**FINRA**") announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million and USD 18.5 million in the FINRA matter. UBS also understands that the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. UBS is cooperating with the authorities in this inquiry.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico ("**System**") against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In 2016, the court granted the System's request to join the action as a plaintiff, but ordered that plaintiffs must file an amended complaint. In 2017, the court denied defendants' motion to dismiss the amended complaint.

Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain closed-end funds and certain members of UBS PR senior management, seeking damages for investor losses in the funds during the period from January 2008 through May 2012. In 2016, the court denied plaintiffs' motion for class certification. In March 2017, the US Court of Appeals for the First Circuit denied plaintiffs' petition seeking permission to bring an interlocutory appeal challenging the denial of their motion for class certification.

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico ("**Commonwealth**") defaulted on certain interest payments, in 2016, the Commonwealth defaulted on payments on its general obligation debt ("**GO Bonds**"), and in 2017 the Commonwealth defaulted on payments on its debt backed by the Commonwealth's Sales and Use Tax ("**COFINA Bonds**") as well as on bonds issued by the Commonwealth's Employee Retirement System ("**ERS Bonds**"). The funds hold significant amounts of both COFINA and ERS Bonds and the defaults on interest payments are expected to adversely affect dividends from the funds. Executive orders of the Governor that have diverted funds to pay for essential services instead of debt payments and stayed any action to enforce creditors' rights on the Puerto Rico bonds continue to be in effect. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board is authorized to impose, and has imposed, a stay on exercise of creditors' rights. In May and June 2017, the oversight board placed the GO, COFINA and ERS Bonds, among others, into a bankruptcy-like proceeding under the supervision of a Federal District Judge as authorized by the oversight board's enabling statute. These events, further defaults, any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

UBS's balance sheet at 31 December 2017 reflected provisions with respect to matters described in this item D in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

E. Foreign exchange, LIBOR and benchmark rates, and other trading practices

Foreign exchange-related regulatory matters: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes UBS's precious metals and related structured products businesses. Numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority ("**FCA**") and the US Commodity Futures Trading Commission ("**CFTC**") in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties to UBS AG. In addition, the DOJ's Criminal Division ("**Criminal Division**") terminated the 2012 NPA with UBS AG related to UBS's submissions of benchmark interest rates and UBS AG pleaded guilty to one count of wire fraud, paid a fine and is subject to probation through January 2020. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ ("**Antitrust Division**") and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Refer to Note 20b in the "Consolidated financial statements" section of the Annual Report 2016 for more information on regulatory actions related to foreign exchange and precious metals and grants of conditional immunity or leniency. Investigations relating to foreign exchange and precious metals matters by numerous authorities, including the CFTC, remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 2003. The complaints assert claims under the Commodity Exchange Act ("**CEA**") and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

A putative class action has been filed in federal court in New York against UBS and other banks on behalf of participants, beneficiaries and named fiduciaries of plans qualified under the Employee Retirement Income Security Act of 1974 ("**ERISA**") for whom a defendant bank provided foreign currency exchange transactional services, exercised discretionary authority or discretionary control over management of such ERISA plan, or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. The parties filed a stipulation to dismiss the case with prejudice. The plaintiffs have appealed the dismissal. The appeals court heard oral argument in June 2017.

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

In 2016, a putative class action was filed in federal court in New York against UBS and numerous other banks on behalf of a putative class of persons and entities who had indirectly purchased foreign exchange instruments from a defendant or co-conspirator in the US. The complaint asserts claims under federal and state antitrust laws. In response to defendants' motion to dismiss, plaintiffs agreed to dismiss their complaint. In April and June 2017, two new putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of different proposed classes of indirect purchasers of currency, and a consolidated complaint was filed in June 2017.

In 2015, UBS was added to putative class actions pending against other banks in federal court in New York and other jurisdictions on behalf of putative classes of persons who had bought or sold physical precious metals and various precious metal products and derivatives. The complaints in these lawsuits assert claims under the antitrust laws and the CEA, and other claims. In 2016, the court in New York granted UBS's motions to dismiss the putative class actions relating to gold and silver. Plaintiffs in those cases sought to amend their complaints to add new allegations about UBS, which the court granted. The plaintiffs filed amended complaints in June 2017. In March 2017, the court in New York granted UBS's motion to dismiss the platinum and palladium action. In May 2017, plaintiffs in the platinum and palladium action filed an amended complaint that did not allege claims against UBS.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have conducted or are continuing to conduct investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. In 2012, UBS reached settlements relating to benchmark interest rates with the FSA, the CFTC and the Criminal Division of the DOJ, and FINMA issued an order in its proceedings with respect to UBS relating to benchmark interest rates. In addition, UBS entered into settlements with the European Commission and with the Swiss Competition Commission ("**WEKO**") regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives. UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation with respect to benchmark interest rate submissions. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity. Refer to Note 20b in the "Consolidated financial statements" section of the Annual Report 2016 for more information on regulatory actions relating to benchmark rates and grants of conditional immunity or leniency. Investigations by certain governmental authorities remain ongoing notwithstanding these resolutions.

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

In 2013, the US district court in the USD LIBOR action dismissed the federal antitrust and racketeering claims of certain USD LIBOR plaintiffs and a portion of their claims brought under the CEA and state common law. Certain plaintiffs appealed the decision to the Second Circuit, which, in 2016, vacated the district court's ruling finding no antitrust injury and remanded the case back to the district court for a further determination on whether plaintiffs have antitrust standing. In December 2016, the district court again dismissed plaintiffs' antitrust claims, this time for lack of personal jurisdiction over UBS and other foreign banks. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. In 2017, the court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. Also in 2017, the courts in the EURIBOR and the SIBOR and SOR lawsuits dismissed the cases as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs in the CHF LIBOR and SIBOR and SOR actions have filed amended complaints following the dismissals. UBS and other defendants in other lawsuits including those related to GBP LIBOR and Australian BBSW have filed motions to dismiss. In 2016, UBS entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received preliminary court approval and remains subject to final approval. Since 2014, putative class actions have been filed in federal court in New York and New Jersey against UBS and other financial institutions, among others, on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The complaints, which have since been consolidated into an amended complaint, allege that the defendants conspired to manipulate ISDAFIX rates from January 2006 through June 2013, in violation of US antitrust laws and certain state laws, and seek unspecified compensatory damages, including treble damages. On 12 July 2017, the court overseeing the ISDAFIX class action preliminarily approved a settlement agreement between UBS AG and the plaintiffs, whereby UBS AG agreed to pay USD 14 million to settle the case in its entirety.

Government bonds: Putative class actions have been filed in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. The complaints generally allege that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction. They assert claims under the antitrust laws and the CEA and for unjust enrichment. The cases have been consolidated in the SDNY, and a consolidated complaint was filed in November 2017. Following filing of these complaints, UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 31 December 2017 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

F. Swiss retrocessions

The Federal Supreme Court of Switzerland ruled in 2012, in a test case against UBS, that distribution fees paid to a firm for distributing third-party and intra-group investment funds and structured products must be disclosed and surrendered to clients who have entered into a discretionary mandate agreement with the firm, absent a valid waiver.

FINMA has issued a supervisory note to all Swiss banks in response to the Supreme Court decision. UBS has met the FINMA requirements and has notified all potentially affected clients.

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

UBS's balance sheet at 31 December 2017 reflected a provision with respect to matters described in this item F in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

G. Investigation of UBS's role in initial public offerings in Hong Kong

The Hong Kong Securities and Futures Commission ("**SFC**") has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work in those offerings, which could result in financial ramifications for UBS, including fines and obligations to pay investor compensation, and suspension of UBS's ability to provide corporate finance advisory services in Hong Kong for a period of time.

Except as otherwise disclosed in this document (including in the documents incorporated by reference herein), there are no court, arbitral or administrative proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) that are of material importance to UBS AG's assets and liabilities or profits and losses.

5.1 Material Contracts

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

5.2 Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects

Except as otherwise indicated in this document (including the documents incorporated herein by reference), no material changes have occurred in UBS AG's assets and liabilities, financial position or profits and losses since 31 December 2017.

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2016.

ANNEX C

The information set out after this page has been extracted without adjustment from the joint annual report 2017 of UBS Group AG and UBS AG. Page references in the following extract refer to pages in such annual report.

UBS AG consolidated financial statements

Primary financial statements

Audited |

Income statement

		For the year ended		
CHF million	Note	31.12.17	31.12.16	31.12.15
Interest income	3	14,208	13,782	13,178
Interest expense	3	(7,728)	(7,399)	(6,449)
Net interest income	3	6,480	6,383	6,729
Credit loss (expense) / recovery	11	(128)	(37)	(117)
Net interest income after credit loss expense		6,352	6,346	6,612
Net fee and commission income	4	17,214	16,447	17,184
Net trading income	3	4,974	4,943	5,696
Other income	5	939	685	1,112
Total operating income		29,479	28,421	30,605
Personnel expenses	6	14,673	15,591	15,954
General and administrative expenses	7	8,811	7,690	8,219
Depreciation and impairment of property, equipment and software	14	928	980	918
Amortization and impairment of intangible assets	15	70	91	107
Total operating expenses		24,481	24,352	25,198
Operating profit / (loss) before tax		4,998	4,069	5,407
Tax expense / (benefit)	8	4,077	781	(908)
Net profit / (loss)		921	3,288	6,314
Net profit / (loss) attributable to preferred noteholders		72	78	77
Net profit / (loss) attributable to non-controlling interests		4	4	3
Net profit / (loss) attributable to shareholders		845	3,207	6,235

Statement of comprehensive income

	For the year ended		
CHF million	31.12.17	31.12.16	31.12.15
Comprehensive income attributable to shareholders			
Net profit / (loss)	845	3,207	6,235
Other comprehensive income that may be reclassified to the income statement			
Foreign currency translation			
Foreign currency translation movements, before tax	(753)	251	(174)
Foreign exchange amounts reclassified to the income statement from equity	21	126	(90)
Income tax relating to foreign currency translation movements	196	(84)	(1)
Subtotal foreign currency translation, net of tax	(535)	293	(266)
Financial assets available for sale			
Net unrealized gains / (losses) on financial assets available for sale, before tax	99	240	180
Impairment charges reclassified to the income statement from equity	15	5	1
Realized gains reclassified to the income statement from equity	(206)	(372)	(298)
Realized losses reclassified to the income statement from equity	14	25	45
Income tax relating to net unrealized gains / (losses) on financial assets available for sale	(7)	28	8
Subtotal financial assets available for sale, net of tax	(86)	(73)	(64)
Cash flow hedges			
Effective portion of changes in fair value of derivative instruments designated as cash flow hedges, before tax	45	246	550
Net realized (gains) / losses reclassified to the income statement from equity	(826)	(1,082)	(1,199)
Income tax relating to cash flow hedges	160	170	131
Subtotal cash flow hedges, net of tax	(621)	(666)	(518)
Total other comprehensive income that may be reclassified to the income statement, net of tax	(1,242)	(447)	(848)
Other comprehensive income that will not be reclassified to the income statement			
Defined benefit plans			
Gains / (losses) on defined benefit plans, before tax	299	(876)	322
Income tax relating to defined benefit plans	6	52	(19)
Subtotal defined benefit plans, net of tax	305	(824)	304
Own credit on financial liabilities designated at fair value			
Gains / (losses) from own credit on financial liabilities designated at fair value, before tax	(312)	(120)	
Income tax relating to own credit on financial liabilities designated at fair value	(1)	5	
Subtotal own credit on financial liabilities designated at fair value, net of tax	(313)	(115)	
Total other comprehensive income that will not be reclassified to the income statement, net of tax	(8)	(939)	304
Total other comprehensive income	(1,250)	(1,386)	(545)
Total comprehensive income attributable to shareholders	(404)	1,820	5,690

Table continues on the next page.

Statement of comprehensive income (continued)

Table continued from previous page.

	For the year ended		
CHF million	31.12.17	31.12.16	31.12.15
Comprehensive income attributable to preferred noteholders			
Net profit / (loss)	72	78	77
Other comprehensive income that will not be reclassified to the income statement			
Foreign currency translation movements, before tax	351	271	(59)
Income tax relating to foreign currency translation movements	0	0	0
Subtotal foreign currency translation, net of tax	351	271	(59)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	351	271	(59)
Total comprehensive income attributable to preferred noteholders	423	349	18
Comprehensive income attributable to non-controlling interests			
Net profit / (loss)	4	4	3
Other comprehensive income that will not be reclassified to the income statement			
Foreign currency translation movements, before tax	1	0	(2)
Income tax relating to foreign currency translation movements	0	0	0
Subtotal foreign currency translation, net of tax	1	0	(2)
Total other comprehensive income that will not be reclassified to the income statement, net of tax	1	0	(2)
Total comprehensive income attributable to non-controlling interests	5	3	1
Total comprehensive income			
Net profit / (loss)	921	3,288	6,314
Other comprehensive income	(898)	(1,115)	(606)
of which: other comprehensive income that may be reclassified to the income statement	*(1,242)*	*(447)*	*(848)*
of which: other comprehensive income that will not be reclassified to the income statement	*344*	*(669)*	*243*
Total comprehensive income	23	2,173	5,709

Balance sheet

CHF million	Note	31.12.17	31.12.16
Assets			
Cash and balances with central banks		87,775	107,767
Due from banks	10, 11	13,693	13,125
Cash collateral on securities borrowed	24	12,393	15,111
Reverse repurchase agreements	24	77,240	66,246
Trading portfolio assets	22	130,807	96,661
of which: assets pledged as collateral that may be sold or repledged by counterparties	*23*	*35,363*	*30,260*
Positive replacement values	12, 22, 24	118,229	158,411
Cash collateral receivables on derivative instruments	24	23,434	26,664
Loans	10, 11	321,718	307,004
Financial assets designated at fair value	22, 24, 25	58,556	65,024
Financial assets available for sale	13, 22	8,665	15,676
Financial assets held to maturity	13	9,166	9,289
Investments in associates	28	1,018	963
Property, equipment and software	14	7,985	8,297
Goodwill and intangible assets	15	6,398	6,556
Deferred tax assets	8	9,783	13,144
Other assets	16	29,505	25,412
Total assets		**916,363**	**935,353**
Liabilities			
Due to banks	17	7,533	10,645
Cash collateral on securities lent	24	1,789	2,818
Repurchase agreements	24	15,255	6,612
Trading portfolio liabilities	22	30,463	22,825
Negative replacement values	12, 22, 24	116,134	153,810
Cash collateral payables on derivative instruments	24	30,247	35,472
Due to customers	17	447,141	450,199
Financial liabilities designated at fair value	18, 22, 24	54,202	55,017
Debt issued	19	104,749	78,998
Provisions	20	3,084	4,169
Other liabilities	8, 21	54,990	60,443
Total liabilities		**865,588**	**881,009**
Equity			
Share capital		386	386
Share premium		26,966	29,505
Retained earnings		29,102	28,265
Other comprehensive income recognized directly in equity, net of tax		(5,736)	(4,494)
Equity attributable to shareholders		**50,718**	**53,662**
Equity attributable to preferred noteholders		0	642
Equity attributable to non-controlling interests		57	40
Total equity		**50,775**	**54,343**
Total liabilities and equity		**916,363**	**935,353**

PARTIES

OUR HEAD OFFICE

UBS AG
Bahnhofstrasse 45
CH-8001 Zurich
Switzerland

and

Aeschenvorstadt 1
CH-4051 Basel
Switzerland

OUR OFFICE

UBS AG, London Branch
5 Broadgate
London
EC2M 2QS
United Kingdom

OUR PLACE OF BUSINESS IN HONG KONG

52nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

SPONSOR

UBS Securities Asia Limited
52nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

AUDITORS

Ernst & Young Ltd
Aeschengraben 9
P.O. Box 2149 CH-4002 Basel
Switzerland

LIQUIDITY PROVIDER

UBS Securities Hong Kong Limited
52nd Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong