Supplement No. 1 pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34

Dated 6 April 2018 to the Base Prospectus of UBS AG, [London] [Jersey] [Branch], dated 1 March 2018,

in relation to Securities.

The Base Prospectus was approved and registered by the Swedish Financial Supervisory Authority ("**SFSA**"). Registration number at the SFSA is 18-1611. This Supplement is a part of the Base Prospectus and shall be read in conjunction with the Base Prospectus.

This Supplement No. 1 was approved by the SFSA on 6 April 2018. This Supplement was published by UBS AG on 6 April 2018. Registration number at the SFSA is 18-6245.

This supplement serves as update to the Base Prospectus in connection to the following occurrence:

Publication of the annual report 2017 of UBS Group AG and UBS AG and the standalone financial statements of UBS AG as per 31 December 2017 on 9 March 2018.

In the course of supplementing the Base Prospectus, as mentioned above, UBS AG has also taken the occasion to update in this Supplement certain updated information that has become available after the date of the Base Prospectus.

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Securities before this supplement is published have, pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the new circumstances or the incorrectness causing the supplement occurred before the closing of the public offering and before the delivery of the securities. This means that the last day to withdrawal is before close of business on 10 April 2018. A withdrawal, if any, of an order must be communicated in writing to the Issuer at its registered office specified in the address list hereof.

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1) In relation to the Base Prospectus referred to above, the following adjustments have been made:

In the section headed "C. RISK FACTORS" the following changes are made:

The section headed "1. Issuer specific Risks" is except for the introductory paragraphs and the paragraph "General insolvency risk" completely replaced as follows:

"**Market conditions and fluctuations may have a detrimental effect on UBS's profitability, capital strength, liquidity and funding position**

Low and negative interest rates in Switzerland and the eurozone have negatively affected UBS's net interest income: A continuing low or negative interest rate environment may further erode interest margins and adversely affect the net interest income generated by the Personal & Corporate Banking and Global Wealth Management businesses. UBS's performance is also affected by the cost of maintaining the high-quality liquid assets ("**HQLA**") required to cover regulatory outflow assumptions embedded in the liquidity coverage ratio ("**LCR**").

The Swiss National Bank permits Swiss banks to make deposits up to a threshold at zero interest. Any reduction in or limitations on the use of this exemption from the otherwise applicable negative interest rates could exacerbate the effect of negative interest rates in Switzerland. Low and negative interest rates may also affect customer behaviour and hence UBS's overall balance sheet structure. Mitigating actions that UBS has taken, or may take in the future, such as the introduction of selective deposit fees or minimum lending rates, have resulted and may further result in the loss of customer deposits, a key source of funding for UBS, net new money outflows and / or a declining market share in UBS's domestic lending business.

UBS's equity and capital are also affected by changes in interest rates. In particular, the calculation of UBS's Swiss pension plan net defined benefit assets and liabilities is sensitive to the discount rate applied. Any further reduction in interest rates may lower the discount rates and result in pension plan deficits due to the long duration of corresponding liabilities. This would lead to a corresponding reduction in UBS's equity and fully applied common equity tier 1 ("**CET1**") capital.

UBS is subject to risk from currency fluctuations: UBS prepares its consolidated financial statements in Swiss francs. However, a substantial portion of its assets, liabilities, invested assets, revenues and expenses, equity of foreign operations and risk-weighted assets ("**RWA**") are denominated in US dollars, euros, British pounds and in other foreign currencies. Accordingly, changes in foreign exchange rates may adversely affect UBS's profits, balance sheet, including deferred tax assets, and capital, leverage and liquidity ratios. In particular, the portion of UBS's operating income denominated in non-Swiss franc currencies is greater than the portion of operating expenses denominated in non-Swiss franc currencies. Therefore, the appreciation of the Swiss franc against other currencies generally has an adverse effect on UBS's profits, in the absence of any mitigating actions.

In order to hedge UBS's CET1 capital ratio, CET1 capital needs to have foreign currency exposure, leading to currency sensitivity of CET1 capital. As a consequence, it is not possible to simultaneously fully hedge both the amount of capital and the capital ratio. As the proportion of RWA denominated in non-Swiss franc currencies outweighs the capital in these currencies, a significant appreciation of the Swiss franc against these currencies could benefit UBS's capital ratios, while a significant depreciation of the Swiss franc against these currencies could adversely affect its capital ratios.

Substantial changes in the regulation of UBS's businesses may adversely affect its business and UBS's ability to execute its strategic plans

Fundamental changes in the laws and regulations affecting financial institutions can have a material and adverse effect on UBS's business. Following the 2007–2009 financial crisis, regulators and legislators have adopted a wide range of changes to the laws, regulations and supervisory frameworks applicable to banks intended to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions. These changes have caused UBS to make significant changes in its businesses and strategy and to move significant operations into subsidiaries to improve resolvability or meet regulatory requirements, resulting in substantial implementation costs, increased UBS's capital and funding costs and reduced operational flexibility. Although many of the regulatory changes have been completed, a number of these changes are being phased in over time or require further rulemaking or guidance for implementation. Certain changes are still under consideration. There remains significant uncertainty regarding a number of the measures referred to above.

Notwithstanding attempts by regulators to align their efforts, the measures adopted or proposed differ significantly across the major jurisdictions, making it increasingly difficult to manage a global institution like UBS. Swiss regulatory changes with regard to such matters as capital and liquidity have often proceeded more quickly than those in other major jurisdictions, and the requirements for Swiss major international banks are among the strictest of the major financial centers. This could put Swiss banks such as UBS at a disadvantage when they compete with peer financial institutions subject to more lenient regulation or with unregulated non-bank competitors.

Higher capital and *total loss-absorbing capacity requirements increase UBS's costs*: As an internationally active Swiss systemically relevant bank ("**SRB**"), UBS is subject to capital and total loss-absorbing capacity ("**TLAC**") requirements that are among the most stringent in the world. New Swiss SRB capital requirements impose significantly higher requirements based on RWA and a significantly higher leverage ratio requirement. In addition, UBS is required to maintain minimum levels of TLAC measured based on both RWA and the leverage ratio denominator.

UBS expects increases in its RWA from changes in methodology, add-ons in the calculation of RWA and other changes in 2018 and 2019. Changes to international capital standards for banks recently adopted by the Basel Committee on Banking Supervision are expected to further increase UBS's RWA when the standards are scheduled to become effective in 2022. UBS also expects that it will incur significant costs to implement the proposed changes.

Liquidity and funding: The requirements to maintain an LCR of HQLA to estimated stressed short-term net cash outflows, the proposed requirement to maintain a net stable funding ratio (**NSFR**), and other similar liquidity and funding requirements UBS is subject to, oblige UBS to maintain high levels of overall liquidity, limit its efforts to optimize interest income and expense, make certain lines of business less attractive and reduce UBS's overall ability to generate profits. Both the LCR and NSFR requirements are intended to ensure that UBS is not overly reliant on short-term funding and that it has sufficient long-term funding for illiquid assets, and the relevant calculations make assumptions about the relative likelihood and amount of outflows of funding and available sources of additional funding in market- and firm-specific stress situations. There can be no assurance that in an actual stress situation UBS's funding outflows would not exceed the assumed amounts. Moreover, many of UBS's subsidiaries must comply with minimum capital, liquidity and similar requirements and as a result UBS Group AG and UBS AG have contributed a significant portion of their capital and provide substantial liquidity to them. These funds are available to meet funding and collateral needs in the relevant jurisdictions, but are generally not readily available for use by the Group as a whole.

Banking structure and activity limitations: UBS has made significant changes in its legal and operational structure to meet legal and regulatory requirements and expectations. For example, UBS has transferred all of its US subsidiaries under a US intermediate holding company to meet US regulatory requirements and substantially all the operations of Personal & Corporate Banking and Wealth Management booked in Switzerland to UBS Switzerland AG to improve resolvability. These changes, particularly the transfer of operations to subsidiaries, such as UBS's US intermediate holding company and UBS Switzerland AG, require significant time and resources to implement and create operational, capital, liquidity, funding and tax inefficiencies. In addition, they may increase UBS's aggregate credit exposure to counterparties as they transact with multiple entities within the UBS Group. UBS's operations in subsidiaries are subject to local capital, liquidity, stable funding, capital planning and stress testing requirements. These requirements have resulted in increased capital and liquidity requirements in affected subsidiaries, which limit UBS's operational flexibility and negatively affect its ability to benefit from synergies between business units and to distribute earnings to the Group.

In the US, UBS has incurred substantial costs for implementing a compliance and monitoring framework in connection with the Volcker Rule under the Dodd-Frank Act. It has also been required to modify its business activities both inside and outside the US to conform to the Volcker Rule’s activity limitations. The Volcker Rule may also have a substantial impact on market liquidity and the economics of market-making activities. UBS may incur additional costs in the short term if aspects of the Volcker Rule are repealed or modified. It may become subject to other similar regulations substantively limiting the types of activities in which it may engage or the way it conducts its operations. If adopted as proposed, the rule on single counterparty risk proposed by the US Federal Reserve Board may affect how UBS conducts its operations in the US, including its use of other financial firms for payments and securities clearing services and as transactional counterparties.

Resolvability and resolution and recovery planning: Under the Swiss too big to fail ("**TBTF**") framework, UBS is required to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure. Moreover, under the Swiss TBTF framework and similar regulations in the US, the UK, the EU and other jurisdictions in which it operates, UBS is required to prepare credible recovery and resolution plans detailing the measures that would be taken to recover in the event of a significant adverse event or to wind down the Group or the operations in a host country through resolution or insolvency proceedings. UBS has made changes to the legal structure of the Group to improve the viability of its recovery and resolution plans and may be required in the future to make further changes to UBS's legal structure, operations, or liquidity and funding plans to enable its recovery and resolution plans to meet regulatory expectations. If a recovery or resolution plan that UBS is required to produce in a jurisdiction is determined by the relevant authority to be inadequate or not credible, relevant regulation may permit the authority to place limitations on the scope or size of its business in that jurisdiction, oblige UBS to hold higher amounts of capital or liquidity, or to change UBS's legal structure or business in order to remove the relevant impediments to resolution.

The Swiss Banking Act and implementing ordinances provide FINMA with significant powers to intervene in order to prevent a failure of, or to resolve, a failing financial institution. FINMA has considerable discretion in determining whether, when, or in what manner to exercise such powers. In case of a threatened insolvency, FINMA may impose more onerous requirements on UBS, including restrictions on the payment of dividends and interest. FINMA could also require UBS, directly or indirectly, for example, to alter its legal structure, including by separating lines of business into dedicated entities, with limitations on intra-Group funding and certain guarantees, or to further reduce business risk levels in some manner. FINMA also has the ability to write down or convert into common equity the capital instruments and other liabilities of UBS Group AG, UBS AG and UBS Switzerland AG in connection with a resolution. Refer to “If UBS experiences financial difficulties, FINMA has the power to open resolution or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors” below.

Substantial changes in market regulation have affected and will continue to affect how UBS conducts its business: 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. Implementation by the G20 countries of the commitment to require all standardized over-the-counter ("**OTC**") derivative contracts to be traded on exchanges or trading facilities and cleared through central counterparties has had and will continue to have a significant effect on UBS's OTC derivatives business, which is conducted primarily in the Investment Bank. These market changes are likely to reduce the revenue potential of certain lines of business for market participants generally, and UBS may be adversely affected. For example, UBS expects that, as a rule, the shift of OTC derivatives trading to a central clearing model will tend to reduce profit margins in these products and the changes introduced by MiFID II may result in a reduction in commission rates and trading margins. Also, these laws may have a material impact on the market infrastructure that UBS uses, available platforms, collateral management and the way UBS interacts with clients, and may cause UBS to incur material implementation costs. Margin requirements for non-cleared OTC derivatives have required significant changes to collateral agreements with counterparties and UBS's clients' operational processes. In some jurisdictions implementation of these changes is ongoing, while rulemaking and implementation are delayed in others. This may result in market dislocation, disruption of cross-border trading, and concentration of counterparty trading. It also affects UBS's ability to implement the required changes and may limit its ability to transact with clients.

Some of the regulations applicable to UBS AG as a registered swap dealer with the Commodity Futures Trading Commission ("**CFTC**") in the US, and certain regulations that will be applicable when UBS AG registers as a security-based swap dealer with the SEC, apply to UBS AG globally, including those relating to swap data reporting, record-keeping, compliance and supervision. As a result, in some cases US rules will likely duplicate or conflict with legal requirements applicable to UBS elsewhere, including in Switzerland, and may place UBS at a competitive disadvantage to firms that are not required to register in the US with the SEC or CFTC.

In many instances, UBS provides services on a cross-border basis, and it is therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the EU to harmonise the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect UBS's ability to conduct business in these jurisdictions from Switzerland. In addition, a number of jurisdictions are increasingly regulating cross-border activities based on determinations of equivalence of home country regulation, substituted compliance or similar principles of comity. A negative determination could limit UBS's access to the market in those jurisdictions and may negatively influence its ability to act as a global firm. In addition, as such determinations are typically applied on a jurisdictional level rather than on an entity level, UBS will generally need to rely on jurisdictions' willingness to collaborate.

If UBS is unable to maintain its capital strength, this may adversely affect its ability to execute its strategy, its client franchise and its competitive position

Maintaining its capital strength is a key component of UBS's strategy. It enables UBS to support the growth of its businesses as well as to meet potential regulatory changes in capital requirements. It reassures UBS's stakeholders, forms the basis for its capital return policy and contributes to its credit ratings. UBS's capital ratios are determined primarily by RWA, eligible capital and leverage ratio denominator ("**LRD**"), all of which may fluctuate based on a number of factors, some of which are outside UBS's control.

UBS's eligible capital may be reduced by losses recognised within net profit or other comprehensive income. Eligible capital may also be reduced for other reasons, including certain reductions in the ratings of securitisation exposures, acquisitions and divestments changing the level of goodwill, adverse currency movements affecting the value of equity, prudential adjustments that may be required due to the valuation uncertainty associated with certain types of positions, and changes in the value of certain pension fund assets and liabilities or in the interest rate and other assumptions used to calculate the changes in UBS's net defined benefit obligation recognised in other comprehensive income.

RWA are driven by UBS's business activities, by changes in the risk profile of its exposures, by changes in its foreign currency exposures and foreign exchange rates and by regulation. For instance, substantial market volatility, a widening of credit spreads, which is a major driver of UBS's value-at-risk, adverse currency movements, increased counterparty risk, deterioration in the economic environment or increased operational risk could result in a rise in RWA. UBS has significantly reduced its market risk and credit risk RWA in recent years. However, increases in operational risk RWA, particularly those arising from litigation, regulatory and similar matters, and regulatory changes in the calculation of RWA and regulatory add-ons to RWA have offset a substantial portion of this reduction. Changes in the calculation of RWA or, as discussed above, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures and other methodology changes, as well as the implementation of the recently adopted changes to international capital standards for banks, could substantially increase UBS's RWA. In addition, UBS may not be successful in its plans to further reduce RWA, either because it is unable to carry out fully the actions it has planned or because other business or regulatory developments or actions counteract the effects of its actions.

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

UBS may not be successful in the ongoing execution of its strategic plans

Over the last six years, UBS has transformed its business to focus on its wealth management businesses and its universal bank in Switzerland, complemented by Asset Management and a significantly smaller Investment Bank; substantially reduced the RWA and LRD usage in UBS's Corporate Center – Non-core and Legacy Portfolio; and made significant cost reductions. UBS has recently provided an update on the execution of its strategy and updated its performance targets and provided guidance on capital and resources. Risk remains that UBS may not succeed in executing its strategy or achieve its performance targets, or may be delayed in doing so. Market events or other factors may adversely affect UBS's ability to achieve its objectives. Macroeconomic conditions, geopolitical uncertainty, changes to regulatory requirements and the continuing costs of meeting these requirements have prompted UBS to adapt its targets in the past and UBS may need to do so again in the future.

As part of its strategic plans, UBS expects to continue to make significant expenditures on technology and infrastructure to improve its client experience, improve and further enable digital offerings and increase efficiency. There is a risk that UBS's investments in new technology will not fully achieve its objectives or improve its ability to attract and retain customers. In addition, UBS may face competition in providing digitally enabled offerings from both existing competitors and new financial service providers in various portions of the value chain. UBS's ability to develop and implement competitive digitally enabled offerings and processes will be an important factor in its ability to compete.

Moreover, the continued illiquidity and complexity of many of UBS's legacy risk positions remaining in Corporate Center – Non-core and Legacy Portfolio could make it difficult to sell or otherwise exit these positions and there remains a risk that UBS could incur significant losses in doing so.

As part of its strategy, UBS also has programs under way that seek to improve its operating efficiency, in part by controlling its costs. A number of factors could negatively affect its plans. UBS may not be able to identify feasible cost reduction opportunities that are also consistent with its business goals, and cost reductions may be realized later or may be less than UBS anticipates. Higher temporary and permanent regulatory costs and higher business demand than it had originally anticipated have partly offset UBS's cost reductions and delayed the achievement of cost reduction targets in the past, and UBS could continue to be challenged in the execution of its ongoing plans.

Changes in UBS's workforce as a result of outsourcing, nearshoring or offshoring or staff reductions may introduce new operational risks that, if not effectively addressed, could affect UBS's ability to recognise the desired cost and other benefits from such changes or could result in operational losses. Such changes can also lead to expenses recognised in the income statement well in advance of the cost savings intended to be achieved through such workforce strategy, for example, if provisions for real estate lease contracts need to be recognised or when, in connection with the closure or disposal of non-profitable operations, foreign currency translation losses previously recorded in other comprehensive income are reclassified to the income statement.

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

Material legal and regulatory risks arise in the conduct of UBS's business

As a global financial services firm operating in more than 50 countries, UBS is subject to many different legal, tax and regulatory regimes, and it is subject to extensive regulatory oversight and exposed to significant liability risk. UBS is subject to a large number of claims, disputes, legal proceedings and government investigations, and it expects that its ongoing business activities will continue to give rise to such matters in the future. The extent of UBS's financial exposure to these and other matters is material and could substantially exceed the level of provisions that UBS has established. UBS is not able to predict the financial and non-financial consequences these matters may have when resolved. 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 authorisations, and may permit financial market utilities to limit, suspend or terminate UBS's participation in them. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorisations or participations, could have material consequences for UBS.

UBS's settlements with governmental authorities in connection with foreign exchange, LIBOR and benchmark interest rates starkly illustrate the significantly increased level of financial and reputational risk now associated with regulatory matters in major jurisdictions. In connection with investigations related to LIBOR and other benchmark rates and to foreign exchange and precious metals, very large fines and disgorgement amounts were assessed against UBS, and UBS was required to enter guilty pleas, despite its full cooperation with the authorities in the investigations, and despite its receipt of conditional leniency or conditional immunity from antitrust authorities in a number of jurisdictions, including the US and Switzerland.

Ever since its material losses arising from the 2007–2009 financial crisis, UBS has been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain its strategic flexibility. While UBS believes that it has remediated the deficiencies that led to those losses as well as to the unauthorised trading incident announced in September 2011, the effects on its reputation and relationships with regulatory authorities of the LIBOR-related settlements of 2012 and settlements with some regulators of matters related to UBS's foreign exchange and precious metals business have resulted in continued scrutiny. UBS is also subject to significant new regulatory requirements, including recovery and resolution planning, US enhanced prudential standards and Comprehensive Capital Analysis and Review ("**CCAR**"). UBS's implementation of additional regulatory requirements and changes in supervisory standards will likely receive heightened scrutiny from supervisors. If it does not meet supervisory expectations in relation to these or other matters, or has additional supervisory or regulatory issues, UBS would likely be subject to continued regulatory scrutiny as well as measures that might further constrain its strategic flexibility. UBS is in active dialog with its regulators concerning the actions that it is taking to improve its operational risk management, control, anti-money laundering, data management and other frameworks and otherwise seek to meet supervisory expectations, but there can be no assurance that its efforts will have the desired effects. As a result of this history, UBS's level of risk with respect to regulatory enforcement may be greater than that of some of its peers.

Operational risks affect UBS's business

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

UBS and other financial services firms have been subject to breaches of security and to cyber- and other forms of attack, some of which are sophisticated and targeted attacks intended to gain access to confidential information or systems, disrupt service or destroy data, including through the introduction of viruses or malware, social engineering, distributed denial of service attacks and other means. These attempts may occur directly, or using equipment or security passwords of UBS's employees, third party service providers or other users. UBS may not be able to anticipate, detect or recognise threats to its systems or data or that its preventative measures may not be effective to prevent an attack or a security breach. In the event a security breach occurs notwithstanding its preventative measures, UBS may not immediately detect a particular breach or attack. Once a particular attack is detected time may be required to investigate and assess the nature and extent of the attack. A successful breach or circumvention of security of UBS's systems or data could have significant negative consequences for UBS, including disruption of its operations, misappropriation of confidential information concerning UBS or its customers, damage to its systems, financial losses for UBS or its customers, violations of data privacy and similar laws, litigation exposure and damage to UBS's reputation.

A major focus of US and other countries' governmental policies relating to financial institutions in recent years has been fighting money laundering and terrorist financing. UBS is required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of its clients. It is also subject to laws and regulations related to corrupt and illegal payments to government officials by others, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. UBS has implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of UBS's programs in these areas, could have serious consequences both from legal enforcement action and from damage to UBS's reputation.

As a result of new and changed regulatory requirements and the changes UBS has made in its legal structure to meet regulatory requirements and improve its resolvability, the volume, frequency and complexity of UBS's regulatory and other reporting has significantly increased. Regulators have also significantly increased expectations for UBS's internal reporting and data aggregation. UBS has incurred and continues to incur significant costs to implement infrastructure to meet these requirements. Failure to timely and accurately meet external reporting requirements or to meet regulatory expectations for internal reporting could result in enforcement action or other adverse consequences for UBS.

Certain types of operational control weaknesses and failures could also adversely affect UBS's ability to prepare and publish accurate and timely financial reports.

In addition, despite the contingency plans UBS has in place, its ability to conduct business may be adversely affected by a disruption in the infrastructure that supports its businesses and the communities in which it is located. This may include a disruption due to natural disasters, pandemics, civil unrest, war or terrorism and involve electrical, communications, transportation or other services used by UBS or third parties with whom it conducts business.

UBS's reputation is critical to the success of its business

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

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

UBS's businesses are materially affected by market and economic conditions. Adverse changes in interest rates, credit spreads, securities prices, market volatility and liquidity, foreign exchange rates, commodity prices, and other market fluctuations, as well as changes in investor sentiment, can affect UBS's earnings and ultimately its financial and capital positions.

A market downturn and weak macroeconomic conditions can be precipitated by a number of factors, including geopolitical events, changes in monetary or fiscal policy, trade imbalances, natural disasters, pandemics, civil unrest, acts of violence, war or terrorism. Macroeconomic and political developments can have unpredictable and destabilising effects and, because financial markets are global and highly interconnected, even local and regional events can have widespread impact well beyond the countries in which they occur. Moreover, if individual countries impose restrictions on cross-border payments or other exchange or capital controls, or change their currency (for example, if one or more countries should leave the eurozone), UBS could suffer losses from enforced default by counterparties, be unable to access its own assets, and / or be impeded in, or prevented from, managing its risks.

UBS could be materially affected if a crisis develops, regionally or globally, as a result of disruptions in emerging markets or developed markets that are susceptible to macroeconomic and political developments, or as a result of the failure of a major market participant. Over time, UBS's strategic plans have become more heavily dependent on its ability to generate growth and revenue in emerging markets, including China, causing UBS to be more exposed to the risks associated with such markets. The binding scenario UBS uses in its combined stress test framework reflects these aspects, and assumes a hard landing in China, leading to severe contagion of Asian and emerging markets economies and at the same time multiple debt restructurings in Europe, related direct losses for European banks and fear of a eurozone breakup severely affecting developed markets such as Switzerland, the UK and the US.

UBS has material exposures to a number of markets, and the regional balance of its business mix also exposes UBS to risk. UBS's Investment Bank's Equities business, for example, is more heavily weighted to Europe and Asia, and within this business its derivatives business is more heavily weighted to structured products for wealth management clients, in particular with European and Asian underlyings. Turbulence in these markets can therefore affect UBS more than other financial service providers.

A decrease in business and client activity and market volumes, for example, as a result of significant market volatility, adversely affects transaction fees, commissions and margins, particularly in UBS's wealth management businesses and in the Investment Bank, as UBS experienced in 2016. A market downturn is likely to reduce the volume and valuations of assets that UBS manages on behalf of clients, reducing its asset and performance-based fees, and could also cause a decline in the value of assets that UBS owns and accounts for as investments or trading positions. On the other hand, reduced market liquidity or volatility limits trading opportunities and impedes UBS's ability to manage risks, impacting trading income, and may reduce institutional client activity and therefore transaction and performance-based fees.

Credit risk is an integral part of many of UBS's activities, including lending, underwriting and derivatives activities. Worsening economic conditions and adverse market developments could lead to impairments and defaults on credit exposures and on UBS's trading and investment positions. Losses may be exacerbated by declines in the value of collateral UBS holds. UBS is exposed to credit risk in activities such as its prime brokerage, reverse repurchase and Lombard lending, as the value or liquidity of the assets against which UBS provides financing may decline rapidly. Macroeconomic developments, such as the strength of the Swiss franc and its effect on Swiss exports, the adoption of negative interest rates by the Swiss National Bank or other central banks or any return of crisis conditions within the eurozone or the EU, and the potential implications of the decision in Switzerland to reinstate immigration quotas for EU and European Economic Area citizens, could also adversely affect the Swiss economy, UBS's business in Switzerland in general and, in particular, UBS's Swiss mortgage and corporate loan portfolios.

The aforementioned developments have in the past affected, and could materially affect, the financial performance of business divisions and of UBS as a whole, including through impairment of goodwill and the adjustment of deferred tax asset levels. Refer to "UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards" and "The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets" below.

UK 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 UK is still expected to leave the EU in March 2019, subject to a possible transition period.

The nature of the UK's future relationship with the EU remains unclear. Any future limitations on providing financial services into the EU from its UK operations could require UBS to make potentially significant changes to its operations in the UK and the EU, and to UBS's legal structure. In the absence of adequate transition relief being agreed and passed into law by the United Kingdom and the European Union, UBS currently expects to merge UBS Limited into UBS Europe SE, UBS's German headquartered European bank, prior to the United Kingdom leaving the European Union on 29 March 2019. Clients and other counterparties of UBS Limited would become counterparties of UBS Europe SE through the planned merger of the two entities. However, UBS anticipates that clients of UBS Limited who can be serviced by UBS AG London Branch would generally be migrated to UBS AG, London Branch prior to this merger. UBS further anticipates that some staff would be relocated as a result; the exact number of staff and roles would be determined in due course. The timing and extent of the actions UBS takes may vary considerably depending on regulatory requirements and the nature of any transition or successor agreements with the EU.

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

UBS's wealth and asset management businesses operate in an environment of increasing regulatory scrutiny and changing standards with respect to fiduciary and other standards of care and the focus on mitigating or eliminating conflicts of interest between a manager or advisor and the client, which require effective implementation across the global systems and processes of investment managers and other industry participants. For example, the US Department of Labor has adopted a rule expanding the definition of "fiduciary" under the Employee Retirement Income Security Act ("**ERISA**"), which requires UBS to comply with fiduciary standards under ERISA when dealing with certain retirement plans. UBS will likely be required to materially change business processes, policies and the terms on which it interacts with these clients in order to comply with these rules when they become fully effective. In addition, MiFID II imposes new requirements on UBS when providing advisory services to clients in the EU, including new requirements for agreements with clients.

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

In recent years, UBS's Wealth Management net new money inflows have come predominantly from clients in Asia Pacific and in the ultra high net worth segment globally. Over time, inflows from these lower-margin segments and markets have been replacing outflows from higher-margin segments and markets, in particular cross-border clients. This dynamic, combined with changes in client product preferences as a result of which low-margin products account for a larger share of UBS's revenues than in the past, has put downward pressure on Wealth Management’s margins.

As the discussion above indicates, UBS is exposed to possible outflows of client assets in its asset-gathering businesses and to changes affecting the profitability of its wealth management businesses. Initiatives that UBS may implement to overcome the effects of changes in the business environment on its profitability, balance sheet and capital positions may not succeed in counteracting those effects and may cause net new money outflows and reductions in client deposits, as happened with UBS's balance sheet and capital optimisation program in 2015. There is no assurance that UBS will be successful in its efforts to offset the adverse effect of these or similar trends and developments.

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

The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase. Its competitive strength and market position could be eroded if UBS is unable to identify market trends and developments, does not respond to them by devising and implementing adequate business strategies, adequately developing or updating its technology, particularly in trading businesses, and its digital channels and tools, or is unable to attract or retain the qualified people needed to carry them out.

The amount and structure of UBS's employee compensation is affected not only by its business results but also by competitive factors and regulatory considerations.

In recent years, in response to the demands of various stakeholders, including regulatory authorities and shareholders, and in order to better align the interests of UBS's staff with those of other stakeholders, UBS has made changes to the terms of compensation awards. Among other things, UBS has introduced individual caps on the proportion of fixed to variable pay for the Group Executive Board ("**GEB**") members, as well as certain other employees. UBS has increased average deferral periods for stock awards, expanded forfeiture provisions and, to a more limited extent, introduced clawback provisions for certain awards linked to business performance.

Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect UBS's ability to retain and attract key employees. The loss of key staff and the inability to attract qualified replacements, depending on which and how many roles are affected, could seriously compromise UBS's ability to execute its strategy and to successfully improve its operating and control environment and may affect its business performance.

Swiss law requires that shareholders approve the compensation of the Board of Directors ("**BoD**") and the GEB each year. If UBS's shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on its ability to retain experienced directors and its senior management.

UBS depends on its risk management and control processes to avoid or limit potential losses in its businesses

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

As seen during the financial crisis of 2007–2009, UBS is not always able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. The deterioration of financial markets since the beginning of the crisis was extremely severe by historical standards. Value-at-risk, a statistical measure for market risk, is derived from historical market data, and thus by definition could not have anticipated the losses suffered in the stressed conditions of the crisis. Moreover, stress loss and concentration controls and the dimensions in which UBS aggregated risk to identify potentially highly correlated exposures proved to be inadequate. As a result, UBS recorded substantial losses on fixed income trading positions, particularly in 2008 and 2009. Notwithstanding the steps it has taken to strengthen its risk management and control framework, UBS could suffer further losses in the future if, for example:

a) it does not fully identify the risks in its portfolio, in particular risk concentrations and correlated risks;

b) its assessment of the risks identified or its response to negative trends proves to be untimely, inadequate, insufficient or incorrect;

c) markets move in ways that UBS does not expect – in terms of their speed, direction, severity or correlation – and UBS's ability to manage risks in the resulting environment is, therefore, affected;

d) third parties to whom UBS has credit exposure or whose securities it holds for its own account are severely affected by events not anticipated by its models, and accordingly UBS suffers defaults and impairments beyond the level implied by its risk assessment; or

e) collateral or other security provided by UBS's counterparties proves inadequate to cover their obligations at the time of their default.

UBS holds positions related to real estate in various countries, and could suffer losses on these positions. These positions include a substantial Swiss mortgage portfolio. Although management believes that this portfolio is prudently managed, UBS could nevertheless be exposed to losses if the concerns expressed by the Swiss National Bank and others about unsustainable price escalation in the Swiss real estate market come to fruition. In addition, UBS continues to hold substantial legacy risk positions, primarily in Corporate Center – Non-core and Legacy Portfolio. They remain illiquid in many cases, and UBS continues to be exposed to the risk that they may again deteriorate in value.

UBS also manages risk on behalf of its clients in its asset and wealth management businesses. The performance of assets UBS holds for its clients in these activities could be adversely affected by the same factors mentioned above. If clients suffer losses or the performance of their assets held with UBS is not in line with relevant benchmarks against which clients assess investment performance, UBS may suffer reduced fee income and a decline in assets under management, or withdrawal of mandates.

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

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

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

Moreover, more stringent capital and liquidity and funding requirements will likely lead to increased competition for both secured funding and deposits as a stable source of funding, and to higher funding costs. The addition of loss-absorbing debt as a component of capital requirements, the regulatory requirements to maintain minimum TLAC at holding company level and / or at subsidiaries level, as well as the power of resolution authorities to bail in TLAC and other debt obligations, and uncertainty as to how such powers will be exercised, will increase UBS's cost of funding and could potentially increase the total amount of funding required absent other changes in UBS's business.

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

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

UBS prepares its consolidated financial statements in accordance with IFRS. The application of these accounting standards requires the use of judgment based on estimates and assumptions that may involve significant uncertainty at the time they are made. This is the case, for example, with respect to the measurement of fair value of financial instruments, the recognition of deferred tax assets, or the assessment of the impairment of goodwill. Such judgments, including the underlying estimates and assumptions, which encompass historical experience, expectations of the future and other factors, are regularly evaluated to determine their continuing relevance based on current conditions. Using different assumptions could cause the reported results to differ. Changes in assumptions, or failure to make the changes necessary to reflect evolving market conditions, may have a significant effect on the financial statements in the periods when changes occur. Moreover, if the estimates and assumptions in future periods deviate from the current outlook, UBS's financial results may also be negatively affected.

Changes to IFRS or interpretations thereof may cause UBS future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect UBS's regulatory capital and ratios. For example, UBS adopted IFRS 9 effective on 1 January 2018, which required it to change the accounting treatment of certain instruments, requires it to record loans at inception net of expected credit losses instead of recording credit losses on an incurred loss basis and is generally expected to result in an increase in recognized credit loss allowances. In addition, the expected credit loss ("**ECL**") provisions of IFRS 9 may result in greater volatility in credit loss expense as ECL changes in response to developments in the credit cycle and composition of UBS's loan portfolio. The effect may be more pronounced in a deteriorating economic environment.

The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets

UBS's effective tax rate is highly sensitive to its performance, its expectation of future profitability and statutory tax rates. Based on prior years' tax losses, UBS has recognised deferred tax assets ("**DTAs**") reflecting the probable recoverable level based on future taxable profit as informed by its business plans. If UBS's performance is expected to produce diminished taxable profit in future years, particularly in the US, UBS may be required to write down all or a portion of the currently recognised DTAs through the income statement. This would have the effect of increasing its effective tax rate in the year in which any write-downs are taken. Conversely, if its performance is expected to improve, particularly in the US or the UK, UBS could potentially recognise additional DTAs as a result of that assessment. The effect of doing so would be to significantly reduce UBS's effective tax rate in years in which additional DTAs are recognized and to increase its effective tax rate in future years. UBS's effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US and Switzerland, which would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This in turn would cause a write-down of the associated DTAs. For example, the reduction in the US federal corporate tax rate to 21% from 35% introduced by the US Tax Cuts and Jobs Act ("**TCJA**") resulted in a CHF 2.9 billion net write-down in the Group's DTAs in the fourth quarter of 2017. Changes in tax law may materially affect UBS's effective tax rate and in some cases may substantially affect the profitability of certain activities. For example, the TCJA introduced a new minimum tax regime referred to as the base erosion and anti-abuse tax ("**BEAT**") that potentially subjects otherwise deductible payments made from UBS's US businesses to non-US affiliated parties to a minimum tax. UBS currently expects that BEAT could increase its current tax expense by up to CHF 60 million in 2018. The actual effects could be materially higher as the amount of payments subject to BEAT will increase with higher interest rates and business activity and as a result of interpretative uncertainty relating to BEAT. It may also be lower if UBS is able to successfully mitigate its payments subject to BEAT.UBS generally revalues its DTAs in the second half of the financial year based on a reassessment of future profitability taking into account updated business plan forecasts. UBS considers the performance of its businesses and the accuracy of historical forecasts tax rates and other factors in evaluating the recoverability of UBS's DTAs, including the remaining tax loss carry-forward period and UBS's assessment of expected future taxable profits in the forecast period used for recognizing DTAs. Estimating future profitability is inherently subjective and is particularly sensitive to future economic, market and other conditions, which are difficult to predict. UBS's results in recent periods have demonstrated that changes in the recognition of DTAs can have a very significant effect on its reported results. The enactment of the TCJA, and the narrowing of the window between the end of the forecast period and the expiry of UBS's US net operating losses, may also lead UBS to review its approach to periodically remeasuring its US DTAs and the timing for recognising deferred tax in UBS's income statement. Any change in the manner in which UBS remeasures DTAs could impact the effective tax rate, particularly in the year in which the change is made.

UBS's full-year effective tax rate could also change if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected, or in case of changes to the forecast period used for DTA recognition purposes as part of the aforementioned reassessment of future profitability. Moreover, tax laws or the tax authorities in countries where UBS has undertaken legal structure changes may prevent the transfer of tax losses incurred in one legal entity to newly organised or reorganised subsidiaries or affiliates or may impose limitations on the utilisation of tax losses that relate to businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities to utilise the tax losses in the originating entity, the DTAs associated with such tax losses could be written down through the income statement.

In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws, could cause the amount of taxes ultimately paid by UBS to materially differ from the amount accrued.

UBS's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly

UBS plans to operate with a fully applied CET1 capital ratio of around 13% and a fully applied CET1 leverage ratio of around 3.7%. UBS's ability to maintain these ratios is subject to numerous risks, including the financial results of its businesses, the effect of changes to capital standards, methodologies and interpretation that may adversely affect the calculation of UBS's fully applied CET1 capital ratio, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar requirements to subsidiaries. These risks could prevent or delay UBS's ability to achieve its capital returns policy of a progressive cash dividend coupled with a share repurchase program.

UBS AG's operating results, financial condition and ability to pay its obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG, UBS Americas Holding LLC, UBS Limited and other subsidiaries, which may be subject to restrictions

UBS AG's ability to pay its obligations in the future may be affected by the level of funding, dividends and other distributions, if any, received from UBS Switzerland AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS AG may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable law and regulatory, fiscal or other restrictions. In particular, UBS AG's direct and indirect subsidiaries, including UBS Switzerland AG, UBS Limited and UBS Americas Holding LLC, are subject to laws and regulations that restrict dividend payments, authorise regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS AG, or could impact their ability to repay any loans made to, or other investments in, such subsidiary by UBS AG or another member of the Group. For example, the US CCAR process requires that UBS's US intermediate holding company demonstrate that it can continue to meet minimum capital standards over a nine-quarter hypothetical severely adverse economic scenario. If it fails to meet the quantitative capital requirements, or the Federal Reserve Board's qualitative assessment of the capital planning process is adverse, UBS's US intermediate holding company will be prohibited from paying dividends or making distributions. Restrictions and regulatory actions of this kind could impede access to funds that UBS AG may need to meet its obligations. In addition, UBS AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganisation is subject to all prior claims of the subsidiary's creditors.

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

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

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

Protective measures may include, but are not limited to, certain measures that could require or result in a moratorium on, or the deferment of, payments. UBS would have limited ability to challenge any such protective measures, and creditors would have no right under Swiss law or in Swiss courts to reject them, seek their suspension, or challenge their imposition, including measures that require or result in the deferment of payments.

If restructuring proceedings are opened with respect to UBS Group AG, UBS AG or UBS Switzerland AG, the resolution powers that FINMA may exercise include the power to (i) transfer all or some of the assets, debt and other liabilities, and contracts of the entity subject to proceedings to another entity, (ii) stay for a maximum of two business days the termination of, or the exercise of rights to terminate, netting rights, rights to enforce or dispose of certain types of collateral or rights to transfer claims, liabilities or certain collateral, under contracts to which the entity subject to proceedings is a party, and / or (iii) partially or fully write down the equity capital and, if such equity capital is fully written down, convert into equity or write down the capital and other debt instruments of the entity subject to proceedings. Shareholders and creditors would have no right to reject, or to seek the suspension of, any restructuring plan pursuant to which such resolution powers are exercised. They would have only limited rights to challenge any decision to exercise resolution powers or to have that decision reviewed by a judicial or administrative process or otherwise.

Upon full or partial write-down of the equity and of the debt of the entity subject to restructuring proceedings, the relevant shareholders and creditors would receive no payment in respect of the equity and debt that is written down, the write-down would be permanent, and the investors would not, at such time or at any time thereafter, receive any shares or other participation rights, or be entitled to any write-up or any other compensation in the event of a potential recovery of the debtor. If FINMA orders the conversion of debt of the entity subject to restructuring proceedings into equity, the securities received by the investors may be worth significantly less than the original debt and may have a significantly different risk profile, and such conversion would also dilute the ownership of existing shareholders. In addition, creditors receiving equity would be effectively subordinated to all creditors in the event of a subsequent winding up, liquidation or dissolution of the entity subject to restructuring proceedings, which would increase the risk that investors would lose all or some of their investment.

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

Moreover, FINMA has expressed its preference for a "single-point-of-entry" resolution strategy for global systemically important financial groups, led by the bank's home supervisory and resolution authorities and focused on the top-level group company. This would mean that, if UBS AG or one of UBS Group AG's other subsidiaries faces substantial losses, FINMA could open restructuring proceedings with respect to UBS Group AG only and order a bail-in of its liabilities if there is a justified concern that in the near future such losses could impact UBS Group AG. In that case, it is possible that the obligations of UBS AG or any other subsidiary of UBS Group AG would remain unaffected and outstanding, while the equity capital and the capital and other debt instruments of UBS Group AG would be written down and / or converted into equity of UBS Group AG in order to recapitalise UBS AG or such other subsidiary."

In the section headed "2. Security specific Risks", the subsection entitled "6. UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business" is completely replaced as follows:

"**6. UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions of the Securities do not contain any restrictions on the Issuer's or UBS's ability to restructure its business**

In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group.

In 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland, and UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK. In 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries and UBS merged its Wealth Management subsidiaries in various European countries into UBS Europe SE. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.

UBS Business Solutions AG, a direct subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in Switzerland and the UK were transferred from UBS AG to UBS Business Solutions AG, which is UBS's Group service company and a wholly owned subsidiary of UBS Group AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.

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 further consolidation of operating subsidiaries in the EU, and adjustments to the booking entity or location of products and services.

The Conditions of the Securities contain no restrictions on change of control events or structural changes, such as consolidations or mergers or demergers of the Issuer or the sale, assignment, spin-off, contribution, distribution, transfer or other disposal of all or any portion of the Issuer's or its subsidiaries' properties or assets in connection with the announced changes to its legal structure or otherwise and no event of default, requirement to repurchase the Securities or other event will be triggered under the Conditions of the Securities as a result of such changes. There is the risk that such changes, should they occur, would adversely affect the credit rating of the Issuer and/or increase the likelihood of the occurrence of an event of default. Such changes, should they occur, may adversely affect the Issuer's ability to redeem or pay interest on the Securities and/or lead to circumstances in which the Issuer may elect to cancel such interest (if applicable)."

In the section headed "I. INFORMATION ABOUT UBS AG" the following changes are made:

In the section entitled "1. General Information on UBS AG" the first three paragraphs are completely replaced by the following text:

"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 leading Global Wealth Management business and its premier universal bank in Switzerland, which are enhanced by Asset Management and the Investment Bank. UBS focuses on businesses that, in its opinion, have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.

On 31 December 2017, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 13.8% on a fully applied basis and 14.9% on a phase-in basis and the CET1 leverage ratio was 3.7% on a fully applied basis and 4.0% on a phase-in basis, the gone concern loss-absorbing capacity ratio was 15.3% on a fully applied basis and 11.9% on a phase-in basis, and the gone concern leverage ratio was 4.1% on a fully applied basis and 3.2% on a phase-in basis.[1] On the same date, invested assets stood at CHF 3,179 billion, equity attributable to shareholders was CHF 51,214 million and market capitalisation was CHF 69,125 million. On the same date, UBS employed 61,253 people[2].

On 31 December 2017, UBS AG consolidated CET1 capital ratio was 14.0% on a fully applied basis and 15.2% on a phase-in basis and the CET1 leverage ratio was 3.7% on a fully applied basis and 4.1% on a phase-in basis, the gone concern loss-absorbing capacity ratio was 15.8% on a fully applied basis and 12.4% on a phase-in basis, and the gone concern leverage ratio was 4.2% on a fully applied basis and 3.3% on a phase-in basis.[1] On the same date, invested assets stood at CHF 3,179 billion and equity attributable to UBS AG shareholders was CHF 50,718 million. On the same date, UBS AG Group employed 46,009 people[2]."

The section entitled "2. Business Overview" is completely replaced as follows:

"**Business Divisions and Corporate Center**

UBS operates as a group with four business divisions (Global Wealth Management[3], Personal & Corporate Banking, Asset Management, and the Investment Bank) and a Corporate Center. Each of the business divisions and the Corporate Center are described below. A description of the Group's strategy can be found under "*Our strategy*" in the "*Operating environment and strategy*" section of the UBS Group AG and UBS AG Annual Report 2017 published on 9 March 2018 ("**Annual Report 2017**"); a description of the businesses, strategies, clients, organisational structures, products and services of the business divisions and the Corporate Center can also be found in the "*Operating environment and strategy*" section of the Annual Report 2017.

Global Wealth Management

Global Wealth Management provides comprehensive advice and tailored financial services to wealthy private clients around the world. Its clients benefit from the full spectrum of resources that a global firm can offer, including investment management, wealth planning, banking and lending, and corporate financial advice. Global Wealth Management's model gives clients access to a wide range of products from the world's leading third-party institutions that complement UBS's own offerings.

Personal & Corporate Banking

Personal & Corporate Banking provides comprehensive financial products and services to private, corporate and institutional clients in Switzerland and is among the leading players in the private and corporate loan market in Switzerland, with a well-collateralized and conservatively managed lending portfolio. Its business is central to UBS's universal bank delivery model in Switzerland. Personal & Corporate Banking works with the wealth management, investment bank and asset management businesses to help clients receive the best products and solutions for their specific financial needs. Personal & Corporate Banking is also an important source of growth for the other business divisions in Switzerland through client referrals. In addition, Personal & Corporate Banking manages a substantial part of UBS's Swiss infrastructure and banking products platform, both of which are leveraged across the Group.

Asset Management

Asset Management is a large-scale and diversified asset manager, with an onshore presence in 23 countries. It offers investment capabilities and investment styles across all major traditional and alternative asset classes, as well as platform solutions and advisory support, to institutions, wholesale intermediaries and wealth management clients around the world.

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[1] All figures based on the Basel III framework as applicable to Swiss systemically relevant banks. Refer to the "*Capital management*" section of the Annual Report 2017, as defined herein, for more information.

[2] Full-time equivalents.

[3] On 1 February 2018, Wealth Management and Wealth Management Americas were combined into the unified business division Global Wealth Management.

Investment Bank
The Investment Bank provides investment advice, financial solutions and capital market access in over 35 countries, with principal offices in all major financial centres. It serves corporate, institutional and wealth management clients across the globe and partners with UBS's wealth management, personal and corporate banking and asset management businesses. The business division is organized into Corporate Client Solutions and Investor Client Services and also includes UBS Securities Research.

Corporate Center
Corporate Center provides services to the Group through the reporting units Corporate Center – Services and Group Asset and Liability Management ("**Group ALM**"). Corporate Center also includes the Non-core and Legacy Portfolio unit. Services consists of the Group Chief Operating Officer area (Group Corporate Services, Group Human Resources, Group Operations, Group Sourcing and Group Technology), Group Finance (excluding Group ALM), Group Legal, Group Risk Control, Group Communications & Branding, Group Regulatory & Governance, and UBS and Society. Group ALM manages the structural risks of UBS's balance sheet, including interest rate risk in the banking book, currency risk and collateral risk, as well as the risks associated with the Group's liquidity and funding portfolios. Group ALM also seeks to optimize the Group's financial performance by matching assets and liabilities within the context of the Group's liquidity, funding and capital targets and constraints. Group ALM serves all business divisions and other Corporate Center units through three main risk management areas, and its risk management is fully integrated into the Group's risk governance framework. Non-core and Legacy Portfolio manages legacy positions from businesses exited by the Investment Bank, and is overseen by a committee chaired by the Group Chief Risk Officer.

Competition
The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are comparable to UBS in their size and breadth. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase.

Recent Developments

1. *UBS AG consolidated key figures*

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2017, 2016 and 2015 from the Annual Report 2017, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2017 and comparative figures for the years ended 31 December 2016 and 2015.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and are stated in Swiss francs ("**CHF**"). Information for the years ended 31 December 2017, 2016 and 2015 which is indicated as being unaudited in the table below was included in the Annual Report 2017, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2017 is (to the extent indicated in the section "L. General Information – 7. Documents incorporated by Reference" of this Base Prospectus) incorporated by reference herein.

The Group and business divisions are managed on the basis of a key performance indicator framework, which identifies profit and growth financial measures, in the context of sound risk and capital management objectives. When determining variable compensation, both Group and business division key performance indicators are taken into account. UBS AG reviews the key performance indicators framework on a regular basis, considering the company's strategy and the market environment in which the company operates. Key performance indicators are disclosed in UBS AG's quarterly and annual reporting to allow comparison of the company's performance over the reporting periods. The company's key performance indicators are designed to be assessed on an over-the-cycle basis and are subject to seasonal patterns. The section "*Measurement of performance*" of the Annual Report 2017 contains an explanation of the use by UBS Group AG of the information contained under the heading "*Key performance indicators*" in the table below and the definitions of each of these key performance indicators. With respect to these key performance indicators and the information contained under the heading "*Additional information - Profitability*" in the table below, please also see below in the respective footnotes. In addition, the table "Key performance indicators and additional information on profitability – definitions and reason for use" below contains a description and the reason for the use of each key performance indicator, except those disclosed in accordance with applicable legislation, and the additional information on profitability.

Prospective investors should read the whole of this Prospectus and the information incorporated by reference herein and should not rely solely on the summarized information set out below:

	As of or for the year ended		
CHF million, except where indicated	31.12.17	31.12.16	31.12.15
	audited, except where indicated		
Results			
Operating income	29,479	28,421	30,605
Operating expenses	24,481	24,352	25,198
Operating profit / (loss) before tax	4,998	4,069	5,407
Net profit / (loss) attributable to shareholders	845	3,207	6,235
Key performance indicators			
Profitability			
Return on tangible equity (%) [1]	2.0*	6.9*	13.5*
Cost / income ratio (%) [2]	82.7*	85.6*	82.0*
Growth			
Net profit growth (%) [3]	(73.7)*	(48.6)*	78.0*
Net new money growth for combined wealth management businesses (%) [4]	2.1*	2.1*	2.2*
Resources			
Common equity tier 1 capital ratio (fully applied, %) [5, 6]	14.0*	14.5*	15.4*
Common equity tier 1 leverage ratio (fully applied, %) [7]	3.7*	3.7*	3.6*
Going concern leverage ratio (fully applied, %) [8, 9]	4.2*	4.2*	-
Additional information			
Profitability			
Return on equity (RoE) (%) [10]	1.6*	5.9*	11.7*
Return on risk-weighted assets, gross (%) [11]	12.8*	13.2*	14.3*
Return on leverage ratio denominator, gross (%) [12]	3.4*	3.2*	-
Resources			
Total assets	916,363	935,353	943,256
Equity attributable to shareholders	50,718	53,662	55,248
Common equity tier 1 capital (fully applied) [6]	33,240	32,447	32,042
Common equity tier 1 capital (phase-in) [6]	36,042	39,474	41,516
Risk-weighted assets (fully applied) [6]	236,606*	223,232*	208,186*

Common equity tier 1 capital ratio (phase-in, %) [5, 6]	15.2*	17.5*	19.5*
Going concern capital ratio (fully applied, %) [9]	15.6*	16.3*	-
Going concern capital ratio (phase-in, %) [9]	19.5*	22.6*	-
Gone concern loss-absorbing capacity ratio (fully applied, %) [9]	15.8*	13.3*	-
Leverage ratio denominator (fully applied) [7]	887,189*	870,942*	898,251*
Going concern leverage ratio (phase-in, %) [8, 9]	5.2*	5.8*	-
Gone concern leverage ratio (fully applied, %) [9]	4.2*	3.4*	-
Other			
Invested assets (CHF billion) [13]	3,179	2,810	2,678
Personnel (full-time equivalents)	46,009*	56,208*	58,131*

* unaudited

[1] Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets.
[2] Operating expenses / operating income before credit loss (expense) or recovery.
[3] Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period.
[4] Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "*Wealth Management*" and "*Wealth Management Americas*" sections of the management report contained in the Annual Report 2017, under "*Financial and operating performance*". Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion in Wealth Management from UBS's balance sheet and capital optimization program.
[5] Common equity tier 1 capital / risk-weighted assets.
[6] Based on the Basel III framework as applicable to Swiss systemically relevant banks ("SRB").
[7] Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules.
[8] Total going concern capital / leverage ratio denominator.
[9] Based on the revised Swiss SRB framework that became effective on 1 July 2016. Figures for prior periods are not available.
[10] Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders.
[11] Operating income before credit loss (annualized as applicable) / average fully applied risk-weighted assets.
[12] Operating income before credit loss (annualized as applicable) / average fully applied leverage ratio denominator. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. For periods prior to 31 December 2015 the leverage ratio denominator is calculated in accordance with former Swiss SRB rules. Therefore the figure for the period ended on 31 December 2015 is not presented as it is not available on a fully comparable basis.
[13] Includes invested assets for Personal & Corporate Banking.

Key performance indicators and additional information on profitability – definitions and reason for use		
Key performance indicator, additional information on profitability	**Definition**	**Reason for use**
Return on tangible equity (%)	Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets	This metric is used because it provides information on the profitability of the business in relation to tangible equity.
Cost / income ratio (%)	Operating expenses divided by operating income before credit loss (expense) or recovery	This metric is used to provide information on the efficiency of the business by comparing operating expenses with gross income.
Net profit growth (%)	Change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period	This profitability metric provides information on profit growth in comparison with prior period.

Net new money growth for combined wealth management business (%)	Net new money for combined wealth management businesses for the period (annualized as applicable) divided by Invested assets at the beginning of the period	This growth metric is used to provide information on the wealth management business growth by comparing net new money intakes during the reporting period with invested assets at the beginning of the period.
Return on equity (RoE) (%)	Net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders	This metric is used because it provides information on the profitability of the business in relation to equity.
Return on risk-weighted assets, gross (%)	Operating income before credit loss (annualized as applicable) divided by average fully applied risk-weighted assets	This metric is used because it provides information on the profitability of the business in relation to risk-weighted assets.
Return on leverage ratio denominator, gross (%)	Operating income before credit loss (annualized as applicable) divided by average fully applied leverage ratio denominator	This metric is used because it provides information on the profitability of the business in relation to leverage ratio denominator.

2. *Potential change of functional and presentation currency*

In light of cumulative changes in its legal structure, business activities and evolving changes to its structural currency management strategy, UBS anticipates that during the second half of 2018 it may conclude under IAS 21, *The Effects of Changes in Foreign Exchange Rates*, that the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland will change from Swiss francs to US dollars, and the functional currency of UBS AG's London Branch operations will change from British pounds to US dollars, where such changes would be made on a prospective basis. If such determinations are made, UBS would also expect to change the presentation currency of UBS Group AG's consolidated and UBS AG's consolidated financial statements from Swiss francs to US dollars, with prior periods restated. Assets, liabilities and total equity would be converted to US dollars at historic closing rates prevailing on the respective balance sheet dates. No material changes are expected to UBS's capital ratios nor are material changes expected to UBS's other key performance indicators.

Refer to the "*Regulatory and legal developments*" in the "*Operating environment and strategy*" section of the Annual Report 2017 for information on key regulatory and legal developments."

The section entitled "3. Organisational Structure of the Issuer" is completely replaced as follows:

"**3. Organisational Structure of the Issuer**

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 and a Corporate Center.

In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group.

In 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland, and UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK. In 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries and UBS merged its Wealth Management subsidiaries in various European countries into UBS Europe SE. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.

UBS Business Solutions AG, a direct subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in Switzerland and the UK were transferred from UBS AG to UBS Business Solutions AG, which is UBS's Group service company and a wholly owned subsidiary of UBS Group AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC.

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 further consolidation of operating subsidiaries in the EU, and adjustments to the booking entity or location of products and services. Refer to the section "C. Risk Factors – 2. Security specific Risks – 6. UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Conditions do not contain any restrictions on the Issuer's or UBS's ability to restructure its business".

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2017, 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 Annual Report 2017.

UBS AG's interests in subsidiaries and other entities as of 31 December 2017, 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 2017.

UBS AG is the parent company of, and conducts a significant portion of its operations through, subsidiaries. UBS AG has contributed a significant portion of its capital and provides substantial liquidity to subsidiaries. In addition, UBS Business Solutions AG provides substantial services to group companies including UBS AG and its subsidiaries. To this extent, UBS AG is dependent on certain of the entities of the UBS AG Group and of the UBS Group."

In the section entitled "4. Trend Information" the second paragraph is completely replaced as follows:

"Refer to "Current market climate and industry trends" in the "Operating environment and strategy" section of the Annual Report 2017 and the section "C. Risk Factors – 1. Issuer specific Risks" of this Base Prospectus for more information."

In the section headed "5. Administrative, Management and Supervisory Bodies of UBS AG" the introductory paragraphs before the subsection "Board of Directors" are completely replaced as follows:

"**5. Administrative, Management and Supervisory Bodies of UBS AG**

UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements. As a foreign private issuer with debt securities listed on the NYSE, UBS AG also complies with the relevant NYSE corporate governance standards.

UBS AG operates under a strict dual board structure, as mandated by Swiss banking law. The Board of Directors ("**BoD**") exercises the ultimate supervision over management, whereas the Executive Board ("**EB**"), headed by the President of the Executive Board ("**President of the EB**"), has executive management responsibility. The functions of Chairman of the BoD and President of the EB are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the day-to-day management of UBS AG, for which responsibility is delegated to the EB under the leadership of the President of the EB. No member of one board may simultaneously be a member of the other.

Supervision and control of the EB remain with the BoD. The authorities and responsibilities of the two bodies are governed by the Articles of Association and the Organization Regulations of UBS AG with their annexes."

The section entitled "7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses" is completely replaced as follows:

"**7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses**

Historical Annual Financial Information

Detailed information about UBS AG consolidated and UBS AG assets and liabilities, financial position and profits and losses for financial year 2017 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2017 and in the UBS AG's standalone financial statements for the year ended 31 December 2017 (the "**Standalone Financial Statements 2017**"), respectively; and for financial year 2016 it is available in the "*Consolidated financial statements*" section of the UBS Group AG and UBS AG annual report 2016, in English, published on 10 March 2017 ("**Annual Report 2016**") and in the UBS AG's standalone financial statements for the year ended 31 December 2016 (the "**Standalone Financial Statements 2016**"). The consolidated and standalone financial accounts are closed on 31 December of each year.

With respect to the financial year 2017, reference is made to:

(i) the following parts of the Annual Report 2017: the UBS AG consolidated financial statements, in particular to the Income statement on page 470, the Balance sheet on page 473, the Statement of changes in equity on pages 474-477 (inclusive), the Statement of cash flows on pages 479-480 (inclusive) and the Notes to the consolidated financial statements on pages 481-622 (inclusive); and

(ii) the following parts of the Standalone Financial Statements 2017: the Income statement on page 1, the Balance sheet on pages 2-3, the Statement of appropriation of retained earnings and proposed dividend distribution on page 4, and the Notes to the UBS AG standalone financial statements on pages 5-22 (inclusive).

With respect to the financial year 2016, reference is made to:

(i) the following parts of the Annual Report 2016: the UBS AG consolidated financial statements, in particular to the Income statement on page 478, the Balance sheet on page 481, the Statement of changes in equity on pages 482-485 (inclusive), the Statement of cash flows on pages 487-488 (inclusive) and the Notes to the consolidated financial statements on pages 489-634 (inclusive); and

(ii) the following parts of the Standalone Financial Statements 2016: the Income statement on page 1, the Balance sheet on pages 2-3 (inclusive), the Statement of appropriation of retained earnings and proposed dividend distribution out of capital contribution reserve on page 4, and the Notes to the UBS AG standalone financial statements on pages 5-21 (inclusive).

The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS AG, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and the Corporate Center. In addition, UBS AG prepares and publishes standalone financial statements in accordance with Swiss GAAP, as well as certain additional disclosures required under US Securities and Exchange Commission regulations.

Auditing of Historical Annual Financial Information

The consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for financial years 2017 and 2016 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 463-469 (inclusive) of the Annual Report 2017 and on pages 471-477 (inclusive) of the Annual Report 2016. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 23-26 (inclusive) of the Standalone Financial Statements 2017 and on pages 22-25 (inclusive) of the Standalone Financial Statements 2016.

There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2017 and 31 December 2016, which are incorporated by reference into this document.

Other than the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for financial years 2017 and 2016, no information in this Base Prospectus has been audited by the auditors."

The section entitled "8. Litigation, Regulatory and Similar Matters" is completely replaced as follows:

"**8. 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 "*Note 20a Provisions*" of the UBS Group AG's consolidated financial statements included in the Annual Report 2017. 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 5 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 Annual Report 2017.

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

CHF million	Wealth Manage-ment	Wealth Manage-ment Americas	Personal & Corporate Banking	Asset Manage-ment	Investment Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	**Total 31.12.17**	Total 31.12.16
Balance at the beginning of the year	292	425	78	5	616	259	0	1,585	**3,261**	2,983
Increase in provisions recognized in the income statement	30	158	3	6	8	248	0	229	**682**	856
Release of provisions recognized in the income statement	(4)	(12)	(1)	(9)[2]	(49)	(6)	0	(129)	**(209)**	(48)
Provisions used in conformity with designated purpose	(135)	(207)	(2)	(1)	(216)	(262)	0	(406)	**(1,230)**	(554)
Foreign currency translation / unwind of discount	24	(17)	2	0	(15)	1	0	(55)	**(59)**	25
Balance at the end of the year	**207**	**348**	**79**	**1**	**345**	**240**	**0**	**1,224**	**2,444**	3,261

1 Provisions, if any, for the matters described in this section are recorded in Wealth Management (item 3), Wealth Management Americas (item 4), the Investment Bank (item 7) and Corporate Center – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in items 1 and 6 of this section are allocated between Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this section in item 5 are allocated between the Investment Bank, Corporate Center – Services and Corporate Center – Non-core and Legacy Portfolio. 2 In 2017, a release of CHF 5 million was recognized in Provisions for litigation, regulatory and similar matters, with a corresponding increase in Other provisions.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that the 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 ("*caution*") of 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 ("*réquisitoire*"). In March 2017, the investigating judges issued the trial order ("*ordonnance de renvoi*") 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 ("*Cour de cassation*").

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("*inculpé*") 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 ("**TEFRA**") and the registration requirements of the US securities laws. UBS is cooperating with the authorities in these investigations. In 2018, UBS was informed by the US Attorney's Office and the SEC that they have closed their investigations and that they will not take any action.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association (FIFA) 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 1 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.

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

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("**RMBS**") and was a purchaser and seller of US residential mortgages. 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 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 by 9 March

2018. The trustee for the RMBS trusts has evaluated the proposed settlement under the agreement between UBS and the RMBS holders and UBS has been in discussions with the trustee about the terms on which it would become a party to a settlement. Giving effect to a settlement of the Trustee Suit, 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 its inquiry. In addition, UBS responded to inquiries from both the Special Inspector General for the Troubled Asset Relief Program ("**SIGTARP**") (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 2 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.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier ("**CSSF**"). 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. In February 2018, the United States Court of Appeals for the Second Circuit affirmed the dismissal of the plaintiff's claim.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") 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 4 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.

5. 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 ("**Federal Reserve Board**") and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties against UBS AG. In addition, the DOJ's Criminal Division ("**Criminal Division**") terminated the 2012 Non-Prosecution Agreement ("**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. In January 2018, UBS reached a settlement with the CFTC in connection with the CFTC's precious metals investigations. As part of that settlement, UBS paid a USD 15 million civil monetary penalty. 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 certain authorities 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 ("**SFO**"), the Monetary Authority of Singapore ("**MAS**"), the Hong Kong Monetary Authority ("**HKMA**"), 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 ("**EC**") 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. Certain plaintiffs appealed that decision to the Second Circuit in 2017. In 2018, the district court denied certain plaintiffs' motions for class certification. 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, which UBS and other defendants have moved to dismiss. UBS and other defendants in other lawsuits have also moved to dismiss the GBP LIBOR and Australian BBSW actions. 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 court has given preliminary approval of a settlement agreement under which UBS would 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 orders 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.

6. Swiss retrocessions

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

FINMA 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 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which 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.

7. 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. The SFC has previously indicated that it intended to take enforcement action against UBS and certain employees in relation to certain of these offerings. In March 2018, the SFC issued a decision notice in relation to one of the offerings under investigation. The notice provides for a fine of HKD 119 million and a suspension of UBS Securities Hong Kong Limited’s ability to act as a sponsor for Hong Kong listed initial public offerings for 18 months. UBS intends to appeal the decision.

The specific litigation, regulatory and other matters described above under items (1) to (7) include 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 as described in "*Note 20 Provisions and contingent liabilities*" to the UBS AG consolidated financial statements included in the Annual Report 2017. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) that may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

RMBS-related lawsuits concerning disclosures: UBS has been named as a defendant in lawsuits relating to its role as underwriter and issuer of RMBS. In April 2017, UBS reached a final settlement in a lawsuit brought in the US District Court for the District of Kansas by the National Credit Union Administration ("**NCUA**") as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for USD 1.15 billion in original principal balance of RMBS purchased by the credit unions. UBS and the NCUA settled this matter for USD 445 million. A similar case brought by the NCUA in the SDNY was settled in 2016. UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS in connection with certain of these matters.

Banco UBS Pactual tax indemnity: Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("**Pactual**") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. In August 2017, UBS and BTG agreed to resolve the largest indemnification claim (UBS's portion of which was approximately BRL 2 billion) relating to a tax assessment that had disallowed goodwill amortization deductions. In connection with this resolution, UBS paid CHF 245 million to BTG, which then submitted the underlying tax assessment for resolution in a Brazilian tax amnesty program. In early 2018, the decision in favor of BTG on the largest remaining exposure (BRL 461 million) became final, leaving approximately BRL 275 million in remaining assessments subject to indemnification claims, all pending at various levels of the administrative or judicial court system."

The section entitled "9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" is completely replaced as follows:

"**9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects**

As indicated in "*Note 35 Events after the reporting period*" to the UBS AG's consolidated financial statements included in the Annual Report 2017, 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 Swiss pension fund. Changes to the Pension Fund, and as a result, these measures, including the portion of the payment to be made by UBS that is attributable to past service, will lead to a reduction in the pension obligation recognized by UBS AG, resulting in a pre-tax gain of CHF 123 million in the first quarter of 2018 with no overall effect on total equity and a reduced pension service cost starting from January 2018. Other than this, there has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2017, which is the end of the last financial period for which financial information has been published.

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2017.

No recent events particular to UBS AG have occurred, which are to a material extent relevant to the evaluation of UBS AG's solvency."

In the section entitled "L. GENERAL INFORMATION" the subsection entitled "6. Availability of the Base Prospectus and other documents" is completely replaced as follows:

"**6. Availability of the Base Prospectus and other documents**

So long as any of the Securities are outstanding copies of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), at the registered offices of the Issuer:

(a) the Articles of Association of UBS AG;

(b) the annual report of UBS Group AG and UBS AG as of 31 December 2016, comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), also comprising financial information for UBS AG and its subsidiary undertakings on a consolidated level, (6) Additional regulatory information, and the Appendix;

(c) the UBS AG standalone financial statements and regulatory information for the year ended 31 December 2016 (including the "Report of the statutory auditor on the financial statements");

(d) The annual report of UBS Group AG and UBS AG as of 31 December 2017, comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix;

(e) The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2017 (including the "Report of the statutory auditor on the financial statements");

(f) the quarterly result materials of UBS AG and UBS Group AG;

(g) to the extent required to be made available to the general public in accordance with applicable local rules, historical financial information on UBS's subsidiary undertakings for each of the financial years ending 31 December 2016 and 31 December 2017 respectively, and

(h) the Base Prospectus, as supplemented from time to time.

Copies of the above documents shall, as long as any of the Securities are outstanding, also be maintained in printed format, for free distribution, at the registered offices of the Issuer. In addition, any annual reports and quarterly result materials of UBS AG and UBS Group AG are published on the UBS website, at www.ubs.com/investors or a successor address."

In the section entitled "L. GENERAL INFORMATION" the subsection entitled "7. Documents incorporated by Reference" is completely replaced as follows:

"**7. Documents incorporated by Reference**

This Base Prospectus should be read and construed in conjunction with each supplement to this Base Prospectus and the documents incorporated by reference into this Base Prospectus. The information set forth in the documents listed in this section below, is hereby to the extent indicated below, incorporated by reference into this Base Prospectus and as such deemed to form a part of this Base Prospectus:

(a) The annual report of UBS Group AG and UBS AG as of 31 December 2017 (other than the section "(1) Operating environment and strategy - Risk factors" on pages 45 to 56 (including)), comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and

compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix;
(published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2017.html);

(b) The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2017 (including the "Report of the statutory auditor on the financial statements") (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/disclosure-legal-entities.html);

(c) The annual report of UBS Group AG and UBS AG as of 31 December 2016 (other than the section "(1) Operating environment and strategy - Risk factors" on pages 44 to 55 (including)), comprising the introductory section, as well as the sections (1) Operating environment and strategy (other than the section "Risk factors" on pages 44 to 55 (including)), (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Additional regulatory information, and the Appendix (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2016.html);

(d) The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2016 including the "Report of the statutory auditor on the financial statements" (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/disclosure-legal-entities.html);

(e) the annual report of UBS Group AG and UBS AG as of 31 December 2015 (other than the section "(1) Operating environment and strategy - Risk factors" on pages 59 to 74 (including)), comprising the introductory section, as well as the sections (1) Operating environment and strategy (other than the section "Risk factors" on pages 59 to 74 (including)), (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Consolidated financial statements (including the "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements"), (6) Legal entity financial and regulatory information (including the "Report of the statutory auditor on the financial statements"), (7) Additional regulatory information, and the Appendix (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2015.html);

(f) the Conditions of the Securities as contained on pages 157 to 241 of the Base Prospectus dated 23 June 2014 of UBS AG as filed with SFSA (published on the UBS website, at http://keyinvest-eu.ubs.com/base-prospectus);

(g) the Conditions of the Securities as contained on pages 212 to 318 of the Base Prospectus dated 17 April 2015 of UBS AG as filed with SFSA (published on the UBS website, at http://keyinvest-eu.ubs.com/base-prospectus);

(h) the Conditions of the Securities as contained on pages 192 to 289 of the Base Prospectus dated 8 January 2016 of UBS AG as filed with SFSA (published on the UBS website, at http://keyinvest-eu.ubs.com/base-prospectus);

(i) the Conditions of the Securities as contained on pages 187 to 286 of the Base Prospectus dated 27 September 2016 of UBS AG as filed with SFSA (published on the UBS website, at http://keyinvest-eu.ubs.com/base-prospectus), and

(j) the Conditions of the Securities as contained on pages 147 to 246 of the Base Prospectus dated 21 June 2017 of UBS AG as filed with SFSA (published on the UBS website, at http://keyinvest-eu.ubs.com/base-prospectus).

Investors who have not previously reviewed the information contained in the above documents should do so in connection with their evaluation of any Securities. Any statement contained in a document, all or the relevant portion of which is incorporated by reference into this Base Prospectus, shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in this Base Prospectus or in any supplement to this Base Prospectus, including any documents incorporated therein by reference, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise)."

2) In relation to the Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 1 March 2018 in the section headed "A. Summary of the Base Prospectus (in the English language)" the following changes shall be made:

a) In the section headed "Section B – Issuer":

Element B.5 is completely replaced as follows:

B.5	Description of the group and the issuer's position within the group.	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 and a Corporate Center. In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group. In 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland, and UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK. In 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries and UBS merged its Wealth Management subsidiaries in various European countries into UBS Europe SE. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG. UBS Business Solutions AG, a direct subsidiary of UBS Group AG, was established in 2015 and acts as the Group service company. In 2017, UBS's shared services functions in Switzerland and the UK were transferred from UBS AG to UBS Business Solutions AG, which is UBS's Group service company and a wholly owned subsidiary of UBS Group AG. UBS also completed the transfer of shared services functions in the US to its US service company, UBS Business Solutions US LLC, a wholly owned subsidiary of UBS Americas Holding LLC. 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 further consolidation of operating subsidiaries in the EU, and adjustments to the booking entity or location of products and services.

Element B.10 is completely replaced as follows:

B.10	Qualifications in the audit report.	Not applicable. There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2017 and 31 December 2016.

Element B.12 is completely replaced as follows:

B.12	Selected historical key financial information / Material adverse change statement / Significant changes statement.	UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2017, 2016 and 2015 from the Annual Report 2017, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2017 and comparative figures for the years ended 31 December 2016 and 2015. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and are stated in Swiss francs ("**CHF**"). Information for the years ended 31 December 2017, 2016 and 2015 which is indicated as being unaudited in the table below was included in the Annual Report 2017, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Group and business divisions are managed on the basis of a key performance indicator framework, which identifies profit and growth financial measures, in the context of sound risk and capital management objectives. When determining variable compensation, both Group and business division key performance indicators are taken into account. UBS AG reviews the key performance indicators framework on a regular basis, considering the company's strategy and the market environment in which the company operates. Key performance indicators are disclosed in UBS AG's quarterly and annual reporting to allow comparison of the company's performance over the reporting periods. The company's key performance indicators are designed to be assessed on an over-the-cycle basis and are subject to seasonal patterns. Please refer to the footnotes to the table below for the definitions of the information contained under the heading "*Key performance indicators*" and "*Additional information - Profitability*" in the table below. In addition, the table "Key performance indicators and additional information on profitability – definitions and reason for use" below contains a description and the reason for the use of each key performance indicator, except those disclosed in accordance with applicable legislation, and the additional information on profitability.

	As of or for the year ended		
CHF million, except where indicated	31.12.17	31.12.16	31.12.15
	audited, except where indicated		
Results			
Operating income	29,479	28,421	30,605
Operating expenses	24,481	24,352	25,198
Operating profit / (loss) before tax	4,998	4,069	5,407
Net profit / (loss) attributable to shareholders	845	3,207	6,235
Key performance indicators			
Profitability			
Return on tangible equity (%) [1]	2.0*	6.9*	13.5*
Cost / income ratio (%) [2]	82.7*	85.6*	82.0*
Growth			
Net profit growth (%) [3]	(73.7)*	(48.6)*	78.0*
Net new money growth for combined wealth management businesses (%) [4]	2.1*	2.1*	2.2*

Resources			
Common equity tier 1 capital ratio (fully applied, %) [5, 6]	14.0*	14.5*	15.4*
Common equity tier 1 leverage ratio (fully applied, %) [7]	3.7*	3.7*	3.6*
Going concern leverage ratio (fully applied, %) [8, 9]	4.2*	4.2*	-
Additional information			
Profitability			
Return on equity (RoE) (%) [10]	1.6*	5.9*	11.7*
Return on risk-weighted assets, gross (%) [11]	12.8*	13.2*	14.3*
Return on leverage ratio denominator, gross (%) [12]	3.4*	3.2*	-
Resources			
Total assets	916,363	935,353	943,256
Equity attributable to shareholders	50,718	53,662	55,248
Common equity tier 1 capital (fully applied) [6]	33,240	32,447	32,042
Common equity tier 1 capital (phase-in) [6]	36,042	39,474	41,516
Risk-weighted assets (fully applied) [6]	236,606*	223,232*	208,186*
Common equity tier 1 capital ratio (phase-in, %) [5, 6]	15.2*	17.5*	19.5*
Going concern capital ratio (fully applied, %) [9]	15.6*	16.3*	-
Going concern capital ratio (phase-in, %) [9]	19.5*	22.6*	-
Gone concern loss-absorbing capacity ratio (fully applied, %) [9]	15.8*	13.3*	-
Leverage ratio denominator (fully applied) [7]	887,189*	870,942*	898,251*
Going concern leverage ratio (phase-in, %) [8, 9]	5.2*	5.8*	-
Gone concern leverage ratio (fully applied, %) [9]	4.2*	3.4*	-
Other			
Invested assets (CHF billion) [13]	3,179	2,810	2,678
Personnel (full-time equivalents)	46,009*	56,208*	58,131*

* unaudited

[1] Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets.
[2] Operating expenses / operating income before credit loss (expense) or recovery.
[3] Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period.
[4] Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "*Wealth Management*" and "*Wealth Management Americas*" sections of the management report contained in the Annual Report 2017, under "*Financial and operating performance*". Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion in Wealth Management from UBS's balance sheet and capital optimization program.
[5] Common equity tier 1 capital / risk-weighted assets.
[6] Based on the Basel III framework as applicable to Swiss systemically relevant banks ("SRB").
[7] Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules.
[8] Total going concern capital / leverage ratio denominator.
[9] Based on the revised Swiss SRB framework that became effective on 1 July 2016. Figures for prior periods are not available.
[10] Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders.
[11] Operating income before credit loss (annualized as applicable) / average fully applied risk-weighted assets.
[12] Operating income before credit loss (annualized as applicable) / average fully applied leverage ratio denominator. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. For periods prior to 31 December 2015 the leverage ratio denominator is calculated in accordance with former Swiss SRB rules. Therefore the figure for the period ended on 31 December 2015 is not presented as it is not available on a fully comparable basis.
[13] Includes invested assets for Personal & Corporate Banking.

Key performance indicators and additional information on profitability – definitions and reason for use		
Key performance indicator, additional information on profitability	**Definition**	**Reason for use**
Return on tangible equity (%)	Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets	This metric is used because it provides information on the profitability of the business in relation to tangible equity.
Cost / income ratio (%)	Operating expenses divided by operating income before credit loss (expense) or recovery	This metric is used to provide information on the efficiency of the business by comparing operating expenses with gross income.
Net profit growth (%)	Change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period	This profitability metric provides information on profit growth in comparison with prior period.
Net new money growth for combined wealth management business (%)	Net new money for combined wealth management businesses for the period (annualized as applicable) divided by Invested assets at the beginning of the period	This growth metric is used to provide information on the wealth management business growth by comparing net new money intakes during the reporting period with invested assets at the beginning of the period.
Return on equity (RoE) (%)	Net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders	This metric is used because it provides information on the profitability of the business in relation to equity.
Return on risk-weighted assets, gross (%)	Operating income before credit loss (annualized as applicable) divided by average fully applied risk-weighted assets	This metric is used because it provides information on the profitability of the business in relation to risk-weighted assets.
Return on leverage ratio denominator, gross (%)	Operating income before credit loss (annualized as applicable) divided by average fully applied leverage ratio denominator	This metric is used because it provides information on the profitability of the business in relation to leverage ratio denominator.

	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2017.
	Significant changes statement.	As indicated in "*Note 35 Events after the reporting period*" to the UBS AG's consolidated financial statements included in the Annual Report 2017, 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 Swiss pension fund. Changes to the Pension Fund, and as a result, these measures, including the portion of the payment to be made by UBS that is attributable to past service, will lead to a reduction in the pension obligation recognized by UBS AG, resulting in a pre-tax gain of CHF 123 million in the first quarter of 2018 with no overall effect on total equity and a reduced pension service cost starting from January 2018. Other than this, there has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2017, which is the end of the last financial period for which financial information has been published.

In Element B.15, the first paragraph is replaced completely. Consequently, Element B.15 reads as follows:

B.15	Issuer's principal activities.	UBS AG with its subsidiaries 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, in its own view, leading Global Wealth Management business and its premier universal bank in Switzerland, which are enhanced by Asset Management and the Investment Bank. UBS focuses on businesses that, in its opinion, have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook. According to article 2 of the articles of association of UBS AG dated 4 May 2016 ("**Articles of Association**"), 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.

b) In the section headed "Section D – Risks"

Element D.2 is completely replaced as follows:

D.2	Key information on the key risks that is specific and individual to the issuer.	The Securities entail an issuer risk, also referred to as debtor risk or credit risk for prospective investors. An issuer risk is the risk that UBS AG becomes temporarily or permanently unable to meet its obligations under the Securities. **General insolvency risk** Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The debt or derivative securities of the Issuer will constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank pari passu with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The Issuer's obligations relating to the Securities are not protected by any statutory or voluntary deposit guarantee system or compensation scheme. **In the event of insolvency of the Issuer, investors may thus experience a total loss of their investment in the Securities.** UBS AG as Issuer and UBS are subject to various risks relating to their business activities. Summarised below are the risks that may impact the Group's ability to execute its strategy, and affect its business activities, financial condition, results of operations and prospects, which the Group considers material and is presently aware of: • Market conditions and fluctuations may have a detrimental effect on UBS's profitability, capital strength, liquidity and funding position

		• Substantial changes in the regulation of UBS's businesses may adversely affect its business and UBS's ability to execute its strategic plans • If UBS is unable to maintain its capital strength, this may adversely affect its ability to execute its strategy, its client franchise and its competitive position • UBS may not be successful in the ongoing execution of its strategic plans • Material legal and regulatory risks arise in the conduct of UBS's business • Operational risks affect UBS's business • UBS's reputation is critical to the success of its business • Performance in the financial services industry is affected by market conditions and the macroeconomic climate • UK withdrawal from the EU • UBS may not be successful in implementing changes in its wealth management businesses to meet changing market, regulatory and other conditions • UBS may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees • UBS depends on its risk management and control processes to avoid or limit potential losses in its businesses • Liquidity and funding management are critical to UBS's ongoing performance • UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards • The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets • UBS's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly • UBS AG's operating results, financial condition and ability to pay its obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG, UBS Americas Holding LLC, UBS Limited and other subsidiaries, which may be subject to restrictions • If UBS experiences financial difficulties, FINMA has the power to open resolution or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors However, because the business of a broad-based international financial services firm such as UBS is inherently exposed to risks many of which become apparent only with the benefit of hindsight, risks of which UBS is not presently aware or which it currently does not consider to be material could also adversely affect UBS.

3) In relation to the Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 1 March 2018 in the section headed "B. Summary of the Base Prospectus (in the Swedish language)" the following changes shall be made:

a) In the section headed "Avsnitt B – Emittent":

Element B.5 is completely replaced as follows:

B.5	Beskrivning av koncernen och emittentens plats inom koncernen.	UBS AG är en schweizisk bank och moderbolaget till UBS AG-koncernen. Det ägs till 100 % av UBS Group AG, som är holdingbolaget för UBS-koncernen. UBS bedrivs som en koncern med fyra affärsdivisioner samt ett Corporate Center. Under 2014 började UBS att anpassa sin juridiska enhetsstruktur för att förbättra Koncernens förmåga till avveckling för att möta kraven i Schweiz och rekonstruktions- och avvecklingsplaner av andra länder där Koncernen är verksam, avseende företag som anses för stora för att tillåtas fallera. I december 2014 blev UBS Group AG Koncernens holdingbolag. Under 2015 överförde UBS AG sin verksamhet inom Personal & Corporate Banking och Wealth Management, som bokförs i Schweiz, till det nyligen etablerade UBS Switzerland AG, ett bankdotterföretag till UBS AG i Schweiz, och UBS avslutade genomförandet av en mer självförsörjande affärs- och verksamhetsmodell för UBS Limited, dess investeringsdotterföretag i Storbritannien. Under 2016 utsågs UBS Americas Holding LLC till mellanliggande holdingbolag för UBS:s dotterbolag i USA, och UBS slog ihop sina Wealth Management-dotterbolag i olika europeiska länder till UBS Europe SE. Dessutom överförde UBS majoriteten av de rörelsedrivande dotterbolagen inom Asset Management till UBS Asset Management AG. UBS Business Solutions AG, ett direkt dotterföretag till UBS Group AG, etablerades 2015 och agerar som Koncernens serviceföretag. Under 2017 överfördes UBS delade servicefunktioner i Schweiz och Storbritannien från UBS AG till UBS Business Solutions AG, vilket är UBS-koncernens serviceföretag och ett helägt dotterbolag till UBS Group AG. UBS slutförde också överföringen av delade tjänstefunktioner i USA till sitt amerikanska serviceföretag, UBS Business Solutions US LLC, ett helägt dotterbolag till UBS Americas Holding LLC. UBS fortsätter att överväga ytterligare förändringar beträffande Koncernens juridiska struktur för att möta regulatoriska krav och andra externa utvecklingar, inklusive Storbritanniens förväntade utträde ur den Europeiska Unionen. Sådana förändringar kan inkludera ytterligare konsolidering av rörelsedrivande dotterföretag i EU och justeringar beträffande bokförande enhet eller placeringen av produkter och tjänster.

Element B.10 is completely replaced as follows:

B.10	Anmärkningar i revisions-berättelsen.	Ej tillämpligt. Det finns inte några anmärkningar i revisionsberättelsen för de konsoliderade finansiella räkenskaperna för UBS AG och de separata finansiella räkenskaperna för UBS AG för åren som slutade den 31 december 2017 och 31 december 2016.

Element B.12 is completely replaced as follows:

B.12	Utvald historisk finansiell nyckelinformation / Uttalande om väsentliga negativa förändringar / Uttalande om väsentliga förändringar.	UBS AG erhöll utvald konsoliderad finansiell information, inkluderad i tabellen nedan för åren som slutade 31 december 2017, 2016 och 2015 från Årsredovisningen för 2017, vilken innehåller de reviderade konsoliderade finansiella räkenskaperna för UBS AG, liksom ytterligare oreviderad konsoliderad finansiell information, för året som slutade den 31 december 2017 och jämförelsesiffror för åren som slutade den 31 december 2016 och 2015. De konsoliderade finansiella räkenskaperna har tagits fram i enlighet med International Financial Reporting Standards ("**IFRS**"), utfärdade av International Accounting Standards Board ("**IASB**"), och anges i schweiziska franc ("**CHF**"). Information för åren som slutade 31 december 2017, 2016 och 2015 vilken indikeras som oreviderad i tabellen nedan, inkluderades i Årsredovisningen för 2017 men har inte reviderats på grund av att de respektive beskrivningarna inte krävs enligt IFRS och därför inte utgör del av de reviderade finansiella räkenskaperna. Koncernen och affärsdivisionerna hanteras med utgångspunkt i viktiga nyckeltal, vilka identifierar finansiella indikatorer för vinst och tillväxt, inom ramen för sunda risk- och kapitalhanteringsmål. Vid fastställandet av variabeln kompensation tas både Koncernens och affärsdivisionens viktiga resultatindikatorer med i beräkningen. UBS AG granskar regelbundet nyckeltalen, och beaktarföretagets strategi och marknadsmiljö i vilket företaget är verksamt. Viktiga nyckeltal ingår i UBS AG:s kvartalsmässiga och årliga rapportering för att tillåta jämförelse av företagets resultat över rapporteringsperioderna. Företagets viktiga nyckeltal har utformats för att utvärderas över bestämda cykler och följer vissa säsongsmönster. Se fotnoterna till tabellen nedan för definitioner av informationen under rubrikerna "*Nyckeltal*" och "*Ytterligare information – Lönsamhet*" i tabellen nedan. Dessutom innehåller tabellen "Nyckeltal och ytterligare information om lönsamhet – definitioner och skäl till användning" nedan en beskrivning av varje nyckeltal och skälet till varför det används, förutom dem som ingår i enlighet med tillämplig lagstiftning, samt ytterligare information om lönsamhet.

	Per eller för året som slutade		
CHF miljoner, förutom där indikerat	31.12.17	31.12.16	31.12.15
	Reviderat, förutom där indikerat		
Resultat			
Rörelseintäkter	29 479	28 421	30 605
Rörelsekostnader	24 481	24 352	25 198
Rörelsevinst / (förlust) före skatt	4 998	4 069	5 407
Nettovinst / (förlust) hänförlig till UBS AG aktieägare	845	3 207	6 235
Viktiga resultatindikatorer			
Lönsamhet			
Avkastning på synligt eget kapital (%) [1]	2,0*	6,9*	13,5*
Kostnads / intäktsrelation (%) [2]	82,7*	85,6*	82,0*
Tillväxt			
Nettovinsttillväxt (%) [3]	(73,7)*	(48,6)*	78,0*
Nettotillväxt av nya medel för kombinerade verksamheter inom Wealth Managements-verksamheten (%) [4]	2,1*	2,1*	2,2*
Resurser			

Primärkapitalrelation (Common equity tier 1 capital ratio) (fullt tillämpad, %) [5, 6]	14,0*	14,5*	15,4*
Primärkapital (Common equity tier 1 capital) (infasad, %) [7]	3,7*	3,7*	3,6*
Hantering av bruttosoliditet (fullt tillämpad, %)[8, 9]	4,2*	4,2*	-
Ytterligare information			
Lönsamhet			
Avkastning på eget kapital (RoE) (%) [10]	1,6*	5,9*	11,7*
Avkastning på riskvägda tillgångar, brutto (%) [11]	12,8*	13,2*	14,3*
Avkastning på hävstångsrelationsnämnare, brutto (%) [12]	3,4*	3,2*	-
Resurser			
Totala tillgångar	916 363	935 353	943 256
Eget kapital hänförligt till aktieägare	50 718	53 662	55 248
Primärkapital (Common equity tier 1 capital) (fullt tillämpad) [6]	33 240	32 447	32 042
Primärkapital (Common equity tier 1 capital) (infasad) [6]	36 042	39 474	41 516
Riskvägda tillgångar (fullt tillämpad) [6]	236 606*	223 232*	208 186*
Primärkapitalrelation (Common equity tier 1 capital ratio) (infasad, %) [5, 6]	15,2*	17,5*	19,5*
Kapitalrelation enligt going concern (fullt tillämpad, %) [9]	15,6*	16,3*	-
Kapitalrelation enligt "going concern" (infasad, %) [9]	19,5*	22,6*	-
Kapitalrelation enligt koncernförlust (fullt tillämpad, %) [9]	15,8*	13,3*	-
Hävstångsrelationsnämnare (fullt tillämpad) [7]	887 189*	870 942*	898 251*
Hävstångsrelation enligt "going concern" (infasad, %) [8, 9]	5,2*	5,8*	-
Kapitalrelation enligt going concern (fullt tillämpad, %) [9]	4,2*	3,4*	-
Övrigt			
Investerade tillgångar (CHF miljarder) [13]	3 179	2 810	2 678
Anställda (motsvarande heltidstjänster)	46 009*	56 208*	58 131*

* oreviderat

[1] Nettovinst hänförlig till aktieägare före nedskrivningar och reserveringar av goodwill och immateriella tillgångar (på årsbasis där tillämpligt) / genomsnittligt eget kapital hänförligt till aktieägare minskat med genomsnittlig goodwill och immateriella tillgångar.
[2] Rörelseutgifter/rörelseintäkter före kreditförlust (utgift) eller återvinning.
[3] Förändring i nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder/nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter under jämförelseperiod.
[4] Nettotillväxt för nya medel för kombinerade Wealth Managements-verksamheter beräknas som sammanlagda nya medel för perioden (på årsbasis där tillämpligt) för divisionerna Wealth Management och Wealth Management Americas / sammanlagda investerade tillgångar vid början av perioden för divisionerna Wealth Management och Wealth Management Americas. Netto nya medel och investerade tillgångar hämtas var och en från avsnitten "*Wealth Management*" och "*Wealth Management Americas*" i rapporten som ingår i Årsredovisningen för 2017 under avsnittet "*Financial and operating performance*". Nettotillväxt för nya medel för de kombinerade Wealth Management-verksamheterna baseras på justerat netto av nya pengar, vilket exkluderar den negativa effekten på netto av nya pengar 2015 på CHF 9,9 miljarder inom Wealth Management från UBS:s program avseende balansräknings- och kapitaloptimering.
[5] Primärkapital (Common equity tier 1 capital) /riskvägda tillgångar.
[6] Baserat på Basel III-regelverket så som detta tillämpas på schweiziska systemviktiga banker ("SRB").
[7] Beräknad i enlighet med schweiziska SRB-regler. Från och med 31 december 2015 är beräkningen av hävstångsrelationsnämnaren fullt lierad med Basel III-reglerna.
[8] Total kapital/hävstångsdenominator enligt going concern.
[9] Baserat på de reviderade schweiziska SRB-regler som började tillämpas från den 1 juli 2016. Siffror för tidigare perioder är inte tillgängliga.
[10] Nettovinst hänförlig till aktieägares profit (på årsbasis där tillämpligt)/genomsnittligt eget kapital hänförligt till aktieägare.
[11] Operativ inkomst före kreditförlust (på årsbasis där tillämpligt)/genomsnittliga fullt tillämpade riskavvägda tillgångar.
[12] Operativ inkomst före kreditförlust (på årsbasis där tillämpligt)/genomsnittlig fullt tillämpad hävstångsrelationsnämnare. Från och med 31 december 2015 är beräkningen av hävstångsrelationsnämnaren fullt lierad med Basel III-reglerna. För perioder innan 31 december 2015 är hävstångsnämnaren beräknad i enlighet med tidigare schweiziska SRB-regler. Därför presenteras inte siffran för perioden som avslutats 31 december 2015, då den inte är tillgänglig på en fullt jämförbar basis.
[13] Inkluderar investerade tillgångar inom Personal & Corporate Banking.

Nyckeltal och ytterligare information om lönsamhet – definition och skäl för användning		
Nyckeltal, ytterligare information om lönsamhet	**Definition**	**Skäl för användning**
Avkastning på synligt eget kapital (%)	Nettovinst hänförlig till aktieägare före nedskrivningar och reserveringar av goodwill och immateriella tillgångar (på årsbasis där tillämpligt) delat med genomsnittligt eget kapital hänförligt till aktieägare minskat med genomsnittlig goodwill och immateriella tillgångar	Detta mått används eftersom det tillhandahåller information om verksamhetens lönsamhet i förhållande till materiellt kapital.
Kostnads / intäktsrelation (%)	Rörelseutgifter delat med rörelseintäkter före kreditförlust (utgift) eller återvinning	Detta mått används för att tillhandahålla information om företagets effektivitet genom att jämföra rörelseutgifter med bruttointäkt.
Nettovinsttillväxt (%)	Förändring i nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder delat med nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter under jämförelseperiod	Detta lönsamhetsmått tillhandahåller information om vinsttillväxt i relation till tidigare period.
Nettotillväxt nya medel för kombinerade verksamheter inom förmögenhetsförvaltning (%)	Netto av nya pengar för kombinerad hälsoförvaltning för perioden (årsbasis om möjligt) delat på investerade tillgångar i början av perioden.	Detta tillväxtmått används för att tillhandahålla information om tillväxt av förmögenhetsförvaltning genom att jämföra netto nya pengainflöden under rapporteringsperioden med investerade tillgångar i periodens början.
Avkastning på eget kapital (RoE) (%)	Nettovinst hänförlig till aktieägares profit (på årsbasis där tillämpligt) delat med genomsnittligt eget kapital hänförligt till aktieägare	Detta mått används eftersom det tillhandahåller information om verksamhetens lönsamhet i förhållande till kapital.
Avkastning på riskvägda tillgångar, brutto (%)	Rörelseintäkter före kreditförlust (på årsbasis där tillämpligt) delat med genomsnittliga fullt tillämpade riskavvägda tillgångar	Detta mått används eftersom det tillhandahåller information om verksamhetens lönsamhet i förhållande till riskavvägda tillgångar.
Avkastning på hävstångsrelationsnämnare, brutto (%)	Rörelseintäkter före kreditförlust (på årsbasis där tillämpligt) delat med genomsnittligt fullt tillämpad hävstångsrelationsnämnare	Detta mått används eftersom det tillhandahåller information om verksamhetens lönsamhet i förhållande till hävstångsrelationsnämnaren.

	Uttalande om väsentliga negativa förändringar.	Det har inte inträffat någon väsentlig negativ förändring i framtidsutsikterna för UBS AG eller UBS AG-koncernen sedan den 31 december 2017.
	Uttalande om väsentliga förändringar.	Precis som beskrivs i "*Note 35 Events after the reporting period*" i UBS AG:s konsoliderade finansiella uttalanden, vilka är inkluderade i Årsredovisningen för 2017, har UBS Pensionsfond i Schweiz och UBS kommit överens om åtgärder, vilka kommer att träda i kraft från och med början på 2019 för att stödja den schweiziska Pensionsfondens långsiktiga finansiella stabilitet. Ändringar i Pensionsfonden, och som ett resultat därav kommer dessa åtgärder – inklusive den del av den betalning som UBS ska göra och vilken kan tillskrivas tidigare tjänster – att leda till en reducerad pensionsförpliktelse som erkänns av UBS AG, vilket resulterar i en vinst före skatt på CHF 123 miljoner under det första kvartalet 2018, men med noll total effekt på totalt kapital och en reducerad pensionstjänstekostnad, vilken startar från och med januari

		2018. Utöver detta har det inte inträffat någon väsentlig förändring i den finansiella positionen eller handelspositionen för UBS AG eller UBS AG-koncernen sedan den 31 december 2017, vilket är slutet på den senaste finansiella perioden för vilken finansiell information har publicerats.

In Element B.15, the first paragraph is replaced completely. Consequently, Element B.15 reads as follows:

B.15	Emittentens huvudsakliga verksamhet.	UBS AG och dess dotterbolag tillhandahåller finansiell rådgivning och lösningar till privata, institutionella och företagskunder i hela världen, likväl som till privata kunder i Schweiz. Koncernens struktur består av Corporate Center och divisionerna Global Wealth Management, Personal & Corporate Banking, Asset Management och Investment Bank. UBS:s strategi centreras på sin, enligt dem, ledande verksamhet inom Global Wealth Management och universella premierbank i Schweiz som utökas av Asset Management och Investment Bank. UBS fokuserar på företag som, enligt dem, har en stark konkurrensposition på sin marknad, är kapitaleffektiva och har en attraktiv långsiktig strukturtillväxt eller lönsamhetsprognos. Enligt Artikel 2 i Bolagsordningen för UBS AG, daterad den 4 maj 2016 ("**Bolagsordningen**") är verksamhetsföremålet för UBS AG att bedriva bankverksamhet. Dess verksamhet sträcker sig över alla typer av banktjänster, finansiella tjänster, rådgivningstjänster och handelsaktiviteter i Schweiz och utomlands. UBS AG kan etablera filialer och representationskontor liksom även banker, kreditmarknadsföretag och andra företag av varje slag i Schweiz och utomlands, inneha ägarintressen i dessa bolag och sköta dessas ledning. UBS AG är auktoriserat att köpa, inteckna och sälja fast egendom och byggrätter i Schweiz och utomlands. UBS AG kan låna och investera på penning- och kapitalmarknader. UBS AG ingår i den företagskoncern som styrs av moderföretaget UBS Group AG. Det kan verka till fördel för koncernens moderföretag eller andra koncernföretag. Det kan tillhandahålla lån, garantier och andra former av finansiering och säkerheter för koncernföretagen.

b) In the section headed "Avsnitt D – Risker"

Element D.2 is completely replaced as follows:

D.2	Nyckelinformation om väsentliga risker som är specifika och individuella för Emittenten.	Värdepapperen medför emittentrisk, även kallad gäldenärsrisk eller kreditrisk, för potentiella investerare. En emittentrisk är risken att UBS AG tillfälligt eller varaktigt blir oförmögen att fullgöra sina förpliktelser i relation till Värdepapperen. **Generell risk för insolvens** Varje investerare bär den generella risken att den finansiella situationen för Emittenten kan försämras. Emittentens skuld- och derivatinstrument utgör direkta, icke säkerställda och icke efterställda förpliktelser för Emittenten, vilka, i synnerhet i händelse av Emittentens insolvens, rangordnas lika med varandra och med samtliga andra av Emittentens nuvarande och framtida icke säkerställda och icke efterställda förpliktelser, med undantag för dem som har förmånsrätt enligt tvingande lagregler. Emittentens förpliktelser i relation till Värdepapperen garanteras inte av något lagstadgat eller frivilligt system av insättningsgarantier eller kompensationsplaner. **Om Emittenten blir insolvent kan följaktligen investerare lida en total förlust av sina investeringar i Värdepapperen.** UBS AG som Emittent och UBS är utsatta för olika riskfaktorer i sin

		affärsverksamhet. Sammanfattade nedan är de risker som kan påverka Koncernens förmåga att verkställa sin strategi, och påverka dess affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter, vilka Koncernen anser är väsentliga och för närvarande är medveten om: • Marknadsförhållanden och fluktuationer kan ha en skadlig inverkan på UBS:s lönsamhet, kapitalstyrka, dess likviditet och finansieringsposition. • Väsentliga ändringar av styrningen av UBS:s verksamhet kan negativt påverka dess verksamhet och UBS:s förmåga att verkställa sina strategiska planer. • Om UBS är oförmöget att bibehålla sin kapitalstyrka, kan detta negativt påverka dess förmåga att verkställa sin strategi, dess klientverksamhet och dess konkurrensposition. • UBS är kanske inte framgångsrikt i det löpande verkställandet av sina strategiska planer. • Betydande juridiska och regulatoriska risker uppkommer vid driften av UBS verksamhet. • Operationella risker påverkar UBS verksamhet. • UBS:s renommé är avgörande för framgången för dess verksamhet. • Utvecklingen inom den finanstjänsteindustrin påverkas av marknadsförhållanden och det makroekonomiska klimatet. • Storbritannien går ut ur EU. • UBS kanske inte lyckas att verkställa förändringar inom sina förmögenhetsförvaltningsverksamheter för att möta förändrade marknads- regulatoriska och andra förhållanden. • UBS är kanske inte i stånd att att identifiera eller tillvarata intäkts- eller konkurrensmöjligheter eller att behålla och attrahera kvalificerade anställda. • UBS är beroende av sina riskhanterings- och kontrollprocesser för att undvika eller begränsa potentiella förluster inom sina företag. • Likviditets- och finansieringsförvaltning är avgörande för UBS:s löpande utveckling. • UBS:s finansiella resultat kan påverkas negativt av ändringar i antaganden och värderingar samt i redovisningsstandarder. • Inverkan av skatter på UBS:s finansiella resultat påverkas i betydande mån av ändringar i skattelagen och omvärderingar av dess uppskjutna skattefordringar • UBS:s angivna kapitalutdelningsmål är baserat, till en del, på kapitalrelationer som är föremål för regleringsförändringar och kan i hög grad fluktuera. • UBS AG:s rörelseresultat, finansiella ställning och förmåga att betala sina förpliktelser i framtiden kan påverkas av finansiering, utdelningar och andra överföringar som erhålls från UBS Switzerland AG, UBS Americas Holding LLC, UBS Limited och andra dotterföretag, vilket kan vara föremål för begränsningar.

		• Om UBS erfar finansiella svårigheter har FINMA befogenheten att starta resolutions- eller likvidationsförfaranden eller införa skyddsåtgärder avseende UBS Group AG, UBS AG eller UBS Switzerland AG, och sådana förfaranden eller åtgärder kan ha en betydande negativ inverkan för UBS:s aktieägare och borgenärer. Men eftersom verksamheten i ett brett baserat internationellt finanstjänsteföretag som UBS till sin inneboende natur är exponerad mot risker, varav många blir uppenbara endast i efterhand, kan risker som UBS inte för närvarande är medvetet om eller som det för närvarande inte betraktar som väsentliga också negativt påverka UBS.

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Zurich, 6 April 2018

UBS AG