

## **Program Information**

**UBS Group Funding (Switzerland) AG**

## PROGRAM INFORMATION

Type of Information:	Program Information
Date of Announcement:	22 March 2018
Issuer Name:	UBS Group Funding (Switzerland) AG
Name and Title of Representative:	Antonio Boné, Authorized Signatory
Address of Head Office:	Bahnhofstrasse 45, 8001 Zürich, Switzerland
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Contact Person:	Takashi Tsukioka, Attorney-at-law Motoki Saito, Attorney-at-law Tatsuya Hasegawa, Attorney-at-law Nagashima Ohno & Tsunematsu Address: JP Tower, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7036 Telephone: +81 3-6889-7000
Type of Securities:	Notes
Scheduled Issuance Period:	23 March 2018 to 22 March 2019
Maximum Outstanding Issuance Amount:	Unlimited
Address of Website for Announcement:	<a href="http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html">http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html</a>
Names of the Lead Managers (for the purpose of this Program Information):	UBS AG London Branch
Status of Submission of Annual Securities Reports or Issuer Filing Information:	None

### Notes to Investors:

1. TOKYO PRO-BOND Market is a market for professional investors, etc. (*Tokutei Toushika tou*) as defined in Article 2, Paragraph 3, Item 2(b)(2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") (the "**Professional Investors, Etc.**"). Notes listed on the market ("**Listed Notes**") may involve high investment risk. Investors should be aware of the listing eligibility and timely disclosure requirements that apply to issuers of Listed Notes on the TOKYO PRO-BOND Market and associated risks such as the fluctuation of market prices and shall bear responsibility for their investments. Prospective investors should make investment decisions only after having carefully considered the contents of this Program Information.
2. Where this Program Information contains (a) any false statement on important matters, or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content, a person who, at the time of announcement of this Program Information, is an officer (meaning an officer stipulated in Article 21, Paragraph 1, Item 1 of the FIEA (meaning a director of the board (*torishimari-yaku*), accounting advisor (*kaikai-sanyo*), company auditor (*kansa-yaku*) or executive officer (*shikkou-yaku*), or a person equivalent to any of these) of the issuer that announced the Program Information shall be liable to compensate persons who acquired the securities for any damage or loss arising from the false statement or lack

of information in accordance with Article 21, Paragraph 1, Item 1 of the FIEA applied *mutatis mutandis* in Article 27-33 of the FIEA and persons who acquired or disposed of the securities for any damage or loss arising from the false statement or lack of information in accordance with Article 22 of the FIEA applied *mutatis mutandis* in Article 27-34 of the FIEA. However, this shall not apply to cases where the person who acquired the securities was aware of the existence of the false statement or the lack of information at the time of subscription for acquisition of the securities. Additionally, the officer shall not be required to assume the liability prescribed above, where he/she proves that he/she was not aware of, and was unable to obtain knowledge of, even with reasonable care, the existence of the false statement or the lack of information.

3. The regulatory framework for TOKYO PRO-BOND Market is different in fundamental aspects from the regulatory framework applicable to other exchange markets in Japan. Investors should be aware of the rules and regulations of the TOKYO PRO-BOND Market, which are available on the Tokyo Stock Exchange website.
4. Tokyo Stock Exchange does not express opinions or issue guarantees, etc. regarding the content of the Program Information (including but not limited to, whether the Program Information contains (a) a false statement or (b) lacks information on: (i) important matters that should be announced or (ii) a material fact that is necessary to avoid misleading content) and shall not be liable for any damage or loss.
5. This Program Information is prepared pursuant to Rule 206, Paragraph 2 of the Special Regulations of Securities Listing Regulations Concerning Specified Listed Securities (hereinafter referred to as the "**Special Regulations**") as information prescribed in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Provision and Publication of Information on Securities, etc. Accordingly, this Program Information shall constitute Specified Securities Information stipulated in Article 27-31, Paragraph 1 of the FIEA.
6. All prospective investors who purchase the notes of UBS Group Funding (Switzerland) AG (the "**Issuer**") to be issued under this Program Information (the "**Notes**") should be aware that when they offer to purchase the Notes, they shall be required to (i) enter into and agree to the terms of a transfer restriction agreement with the Issuer and/or the person making a solicitation, or (ii) (in case of an offer to acquire the Notes to be newly issued) agree to comply with the terms of a transfer restriction that is described as constituting the terms of the Notes or the conditions of the transaction for the Notes in a document describing the information on the Notes and is explained by a financial instrument business operator, etc. (*kinyushohin torihikigyosha tou*) making a solicitation. The terms of such transfer restriction agreement or transfer restriction provide that prospective investors agree not to sell, transfer or otherwise dispose of the Notes to be held by them to any person other than the Professional Investors, Etc., except for the transfer of the Notes to the following:
  - (a) the Issuer or the officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*SouKabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, Paragraph 2 of the FIEA; the same shall apply hereinafter) of the Issuer under his/her own name or another person's name (hereinafter such Officer shall be referred to as the "**Specified Officer**" (*Tokutei Yakuin*) in this Paragraph), or to a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. are held by the Specified Officer (the "**Controlled Juridical Person, Etc.**") (*Hi-Shihai Houjin Tou*) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, Paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No.14 of 1993, as amended)); or

- (b) a company that holds shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.
- 7. When (i) a solicitation of an offer to acquire the Notes or (ii) an offer to sell or a solicitation of an offer to purchase the Notes (collectively, "**Solicitation of the Note Trade**") is made, the following matters shall be notified from the person who makes such Solicitation of the Note Trade to the person to whom such Solicitation of the Note Trade is made in accordance with the FIEA and regulations thereunder (as amended from time to time):
  - (a) no securities registration statement (pursuant to Article 4, Paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Note Trade;
  - (b) the Notes fall, or will fall, under the Securities for Professional Investors (*Tokutei Touseika Muke Yukashoken*) (as defined in Article 4, Paragraph 3 of the FIEA);
  - (c) any acquisition or purchase of the Notes by such person pursuant to any Solicitation of the Note Trade is conditional upon such person (i) (in the case of a solicitation of an offer to acquire the Notes to be newly issued) (x) entering into an agreement providing for the restriction on transfer of the Notes as set forth in 6 (i) above with each of the Issuer and the person making such Solicitation of the Note Trade, or (y) agreeing to comply with the transfer restriction as set forth in 6 (ii) above, or (ii) (in the case of an offer to sell or a solicitation of an offer to purchase the Notes already issued) entering into an agreement providing for the restriction on transfer of the Notes as set forth in 6 (i) above with the person making such Solicitation of the Note Trade;
  - (d) Article 4, Paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Notes as provided in Article 4, Paragraph 2 of the FIEA;
  - (e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Notes and the Issuer Filing Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer have been or will be made available for the Professional Investors, Etc. by way of such information being posted on the web-site maintained by the TOKYO PRO-BOND Market (<http://www.jpix.co.jp/english/equities/products/tpbm/announcement/index.html> or any successor website) in accordance with Articles 210 and 217 of the Special Regulations; and
  - (f) the Issuer Filing Information, Etc. will be provided to the holders of the Notes or made public pursuant to Article 27-32 of the FIEA.
- 8. In respect of the guaranteed senior debt programme of the Issuer (the "**Programme**") under which the Notes may be issued in connection with this Program Information, the following solicited ratings were obtained from specified affiliated corporations (as defined in Article 116-3, Paragraph 2 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, Etc. (the "**Cabinet Office Ordinance**")); the same shall apply hereinafter) of registered credit rating firms under Article 66-27 of the FIEA: (i) A-, from Standard & Poor's Credit Market Services Europe Limited ("**S&P**") on 10 March 2017 and (ii) A+/F1, from Fitch Ratings Limited ("**Fitch**") on 20 March 2018. The credit rating firms have not been registered under Article 66-27 of the FIEA.

Unregistered credit rating firms are not subject to any supervision of the Financial Services Agency of Japan or regulations applicable to credit rating firms, including obligations to disclose information, nor obligated to publicize information regarding such matters as listed in Article 313, Paragraph 3, Item 3 of the Cabinet Office Ordinance.

S&P has S&P Global Ratings Japan Inc. (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 5) and Fitch has Fitch Ratings Japan Limited (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 7) within their respective groups as registered credit rating firms under Article 66-27 of the FIEA, and S&P and Fitch are specified affiliated corporations of the respective registered credit rating firms above. The assumptions, significance and limitations of the credit ratings given by S&P and Fitch are made available on the respective websites of (i) S&P Global Ratings Japan Inc., at "Assumptions, Significance and Limits of Ratings" posted under "Information on Unregistered Credit Ratings" (<http://www.standardandpoors.co.jp/unregistered>) in the column titled "Library/Regulation" on its website ([http://www.standardandpoors.com/ja\\_JP/web/guest/home](http://www.standardandpoors.com/ja_JP/web/guest/home)), and (ii) Fitch Ratings Japan Limited, at "Assumptions, Significance and Limitations of Credit Ratings" posted in the "Regulatory Affairs" section in the column titled "About Fitch's Credit Rating Business" on the right bar on its website (<http://www.fitchratings.co.jp>), respectively, which are made available for the public on the Internet).

9. The selling restrictions set forth in notes 6 and 7 above shall prevail over those set forth in the section entitled "Selling Restrictions –Japan" in the Base Prospectus dated 13 March 2018 prepared in connection with the Programme incorporated in this Program Information.
10. The following document shall be incorporated in, and to form part of, this Program Information:
  - (a) Base Prospectus dated 13 March 2018 with respect to UBS Group Funding (Switzerland) AG Senior Debt Programme Guaranteed by UBS Group AG for the issue of the Notes.

## IMPORTANT NOTICE

THE ATTACHED BASE PROSPECTUS IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") PURCHASING THE SECURITIES IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), PROVIDED BY RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") OR (2) NON-US PERSONS LOCATED OUTSIDE OF THE UNITED STATES PURCHASING THE SECURITIES IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), AND IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES.

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NOTHING IN THIS ELECTRONIC TRANSMISSION AND/OR THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT MAY ONLY BE DISTRIBUTED IN "OFFSHORE TRANSACTIONS" AS DEFINED IN, AND PERMITTED BY, REGULATION S OR WITHIN THE UNITED STATES TO QIBs AS DEFINED IN RULE 144A OR ANOTHER EXEMPTION FROM, OR TRANSACTION NOT SUBJECT TO, REGISTRATION UNDER THE SECURITIES ACT. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS ELECTRONIC TRANSMISSION AND/OR THE ATTACHED DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS NOTICE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT AND/OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NEITHER THE NOTES NOR THE GUARANTEES DESCRIBED IN THE ATTACHED DOCUMENT HAVE BEEN OR WILL BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB OR (2) IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES.

Prospective purchasers are hereby notified that the seller of any note described in the attached document may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

This electronic transmission and the attached document are addressed to and directed only at persons in member states of the European Economic Area ("EEA") who are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC as amended, including by Directive 2010/73/EC) ("**Qualified Investors**"). In addition, in the United Kingdom, this electronic transmission and the attached document are addressed to and directed only at Qualified Investors who (i) are persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) are other persons to whom they may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This electronic transmission and the attached document must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the EEA other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this electronic transmission and the attached document relate is available only to relevant persons in the United Kingdom and Qualified Investors in any member state of the EEA other than the United Kingdom, and will be engaged in only with such persons.

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**Confirmation of Your Representation:** This electronic transmission and the attached document are delivered to you on the basis that you are deemed to have represented to UBS and each of UBS Securities LLC, UBS AG and UBS Limited (collectively, the "**Dealers**") that you understand and agree to the terms set out herein and (i) you are a QIB and you are acquiring the Securities for your own account and/or for the account of another QIB; or (ii) you are a non-US person that is outside the United States for the purposes of Regulation S and (a) if you are a person in a member state of the EEA, other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors or relevant persons, to the extent that you are acting on behalf of persons or entities in the EEA or the United Kingdom, (b) if you are a person in the United Kingdom, you are a relevant person and/or a relevant person acting on behalf of relevant persons or Qualified Investors, to the extent that you are acting on behalf of persons or entities in the United Kingdom or in the EEA, or (c) you are an institutional investor that is otherwise eligible to receive this electronic transmission and the attached document. You shall also be deemed to have represented to UBS and each of the Dealers that you consent to delivery by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession the attached document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the attached document, electronically or otherwise, to any other person. If you receive the attached document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive the attached document in electronic format by e-mail, your use of such attached document in electronic format and e-mail is at your own risk and it is your responsibility to take precautions to ensure that each is free from viruses and other items of a destructive nature.

If a jurisdiction requires that the offering to which this electronic transmission and the attached document relates be made by a licensed broker or dealer and any Dealer or any affiliate of a Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Dealer or affiliate on behalf of UBS in such jurisdiction.

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## UBS GROUP FUNDING (SWITZERLAND) AG

### Senior Debt Programme

Guaranteed by

## UBS GROUP AG

Under this Senior Debt Programme (the "**Programme**"), UBS Group Funding (Switzerland) AG, a company incorporated in Switzerland (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The payment of all amounts in respect of each Series (as defined herein) of Notes will be irrevocably and unconditionally guaranteed (with respect to such Series, the "**Guarantee**") by UBS Group AG (in such capacity, the "**Guarantor**" and together with its subsidiaries, the "**UBS Group**" or "**UBS**" or the "**Group**"), except that such Guarantee will cease to exist (except with respect to any Residual Guarantee Claims (as defined herein)) upon the occurrence of: (i) a Voluntary Issuer Substitution (as defined herein) with respect to the relevant Series of Notes in circumstances where the Guarantor is substituted for the Issuer for all purposes under such Notes, or (ii) a Restructuring Issuer Substitution (as defined herein).

The Notes and the Guarantees will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and the Guarantor respectively, as more particularly described in Condition 4 (*Status of the Notes*) and Clause 3 (*Status*) of the Guarantees, respectively.

*An investment in Notes involves certain risks. For a discussion of these risks, please see "Risk Factors" on page 1.*

By acceptance of any direct or beneficial interest in a Note, each Holder (as defined in the General Terms and Conditions) and each beneficial owner of Notes acknowledges, agrees to be bound by, and consents to the exercise of, any Swiss Resolution Power with respect to UBS Group AG that results in the write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of the, principal amount of, and/or accrued interest on, the Notes, irrespective of whether such amounts have already become due and payable prior to such action. By acceptance of any direct or beneficial interest in a Note, each such Holder and beneficial owner of Notes further acknowledges, agrees to be bound by, and consents to the ordering of, any Restructuring Protective Measure that results in the deferment of the payment of principal and/or interest under the Notes. By acceptance of any direct or beneficial interest in a Note, each Holder and each beneficial owner of Notes further acknowledges, agrees and consents that its rights are subject to, and, if necessary, will be altered without such Holder's consent, including by means of an amendment or modification to the Notes and the Terms and Conditions of the Notes so as to give effect to any such exercise of any Swiss Resolution Power or any such ordering of Restructuring Protective Measures. See "*Definitions*" and "*Swiss Resolution Power and Restructuring Protective Measures*" in the General Terms and Conditions for more information, including the definitions of Swiss Resolution Power, Restructuring Protective Measures and Terms and Conditions of the Notes.

UBS Group AG will, without the consent of the Holders, automatically be substituted for the Issuer for all purposes under the Notes upon the occurrence of a Restructuring Event ("**Restructuring Issuer Substitution**"). Upon a Restructuring Issuer Substitution, the Issuer will be released from its obligations under the Notes, UBS Group AG will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes with the same effect as if UBS Group AG had been named as issuer under the terms and conditions of the Notes, and the Guarantee will cease to exist except to the extent described therein. See "*Definitions*" and "*Restructuring Issuer Substitution*" in the General Terms and Conditions for more information, including the definitions of Restructuring Event.

It is expected that this Base Prospectus will be submitted to the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**") for registration as an "issuance programme" for the listing of bonds on the SIX Swiss

Exchange in accordance with the listing rules of the SIX Swiss Exchange (the "**SIX Listing Rules**"). If approved, in respect of any Tranche (as defined herein) of Notes to be listed on the SIX Swiss Exchange during the 12 months from the date of this Base Prospectus, this Base Prospectus (as amended or supplemented as of the date of the relevant Pricing Supplement (as defined below)), together with the relevant Pricing Supplement, will constitute the listing prospectus for purposes of the SIX Listing Rules.

FOR THE ISSUANCE OF EACH TRANCHE OF NOTES, A PRICING SUPPLEMENT SPECIFIC TO SUCH TRANCHE OF NOTES (EACH A "**PRICING SUPPLEMENT**"), WILL BE PREPARED.

Each of the Issuer and the Guarantor assumes responsibility pursuant to article 27 of the SIX Listing Rules and section 4 of Scheme E thereunder for the completeness and accuracy of this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus, to the best of its knowledge, is correct and no material facts or circumstances have been omitted herefrom.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Notes or the Guarantee other than as contained in this Base Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Dealers.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation or constituting an invitation or offer by the Issuer or any of the Dealers, that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes, should subscribe for or purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

The distribution of this Base Prospectus and any Pricing Supplement and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Pricing Supplement and other offering material relating to the Notes, see "*Selling Restrictions*" and the relevant Pricing Supplement. Neither this Base Prospectus nor any Pricing Supplement may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

Prospective investors should satisfy themselves that they understand all of the risks associated with making investments in the Notes. If a prospective investor is in any doubt whatsoever as to the risks involved in investing in the Notes, he or she should consult his or her professional advisers.

An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result therefrom.

**MiFID II product governance / target market** – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU ("**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

**Notes issued under this Programme are not bank deposits:** Investments in any Notes issued under this Programme carry risks which are very different from the risk profile of a bank deposit placed with UBS or its affiliates. Notes issued under this Programme will have different yield, liquidity and risk profiles and would not benefit from any protection provided to deposits.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

#### **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES**

The Notes and the Guarantees have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**US Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the United States, and may include Notes in uncertificated form that are subject to United States tax law requirements. Accordingly, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, US persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act.

The Notes are being offered and sold (A) in registered form in the United States to "qualified institutional buyers" only (as defined in Rule 144A under the US Securities Act ("**Rule 144A**")) in reliance on Rule 144A and (B) in registered or uncertificated form outside the United States to non-US persons only (as defined in Regulation S under the US Securities Act ("**Regulation S**")) in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of section 5 of the US Securities Act provided by Rule 144A. See "*Selling Restrictions*".

**NEITHER THE NOTES NOR THE GUARANTEES HAVE BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER UNITED STATES REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NOTES OR THE ACCURACY OR ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

For as long as any of the Registered Notes (as defined in the General Terms and Conditions) remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act, the Issuer has agreed that it will, during any period in which it is neither subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**US Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, furnish, upon request, to any person in whose name such restricted securities are registered, to any owner of a beneficial interest in such restricted securities, and to any prospective purchaser of such restricted securities or beneficial interest therein designated by any such person or beneficial owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of the offering contemplated in this Base Prospectus may only do so in circumstances in which no obligation arises for the Issuer, the Guarantor or any of the Dealers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Guarantor nor the Dealers have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Dealers to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the

Relevant Member State and the expression **"2010 PD Amending Directive"** means Directive 2010/73/EU.

## DEFINITIONS

All references in this document to **"Member State"** refer to a Member State of the EEA, those to **"US dollars"**, **"USD"** and **"US\$"** refer to the currency of the United States of America, those to **"Japanese Yen"** and **"JPY"** refer to the currency of Japan, those to **"Pounds sterling"** and **"GBP"** refer to the currency of the United Kingdom, those to **"Swiss francs"** and **"CHF"** refer to the currency of Switzerland and those to **"euro"** and **"EUR"** refer to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of the Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro as amended. All references to **"United States"** or **"US"** are to the United States of America, those to **"China"** and the **"PRC"** mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong; those to **"Hong Kong"** are to the Hong Kong Special Administrative Region of the People's Republic of China, those to **"Singapore"** are to the Republic of Singapore, those to **"Switzerland"** are to the Swiss Confederation, those to **"Australia"** are to the Commonwealth of Australia, and all references to **"United Kingdom"** are to the United Kingdom of Great Britain and Northern Ireland.

**IMPORTANT – EEA RETAIL INVESTORS** - If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **"PRIIPs Regulation"**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot such Notes or effect transactions with a view to supporting the market price of such Notes at a level higher than that which might otherwise prevail. However, stabilisation may not occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules and, in particular, must not be conducted in Australia or on a market operated inside Australia. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall, as against the Issuer, be for the account of the Stabilising Manager(s).**

## CREDIT RATINGS

Tranches of Notes will be rated or unrated. Where a Series of Notes is rated, such rating will not necessarily be the same as the rating(s) described below or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Base Prospectus contains or incorporates statements that constitute "forward-looking statements". In this Base Prospectus and the incorporated documents, forward-looking statements may include, but are not limited to, management's outlook for UBS's financial performance and statements relating to the anticipated effect of transactions and strategic initiatives on UBS's business and future development. While these forward-looking statements represent UBS's judgments and expectations concerning the matters described, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from UBS's expectations. Refer to the "*Risk Factors*" section of this Base Prospectus, and in particular to the discussion of the "*Risks relating to UBS*" contained therein, for more information.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in and taken to form part of this Base Prospectus:

- (a) UBS Group AG's and UBS AG's annual report for the year ended 31 December 2017 ("**Annual Report 2017**"), which UBS Group AG filed on Form 20-F with the United States Securities and Exchange Commission (the "**SEC**") on 9 March 2018 (accessible at the date of this Base Prospectus at [https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/sec/\\_jcr\\_content/par/accordionbox\\_4489/linklist\\_2d18/link\\_46de.1970023768.file/bGluay9wYXRoPS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzlwMTcvMjBmLWZlTGwtcmVwb3J0LTIwMTcucGRm/20f-full-report-2017.pdf](https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_2d18/link_46de.1970023768.file/bGluay9wYXRoPS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzlwMTcvMjBmLWZlTGwtcmVwb3J0LTIwMTcucGRm/20f-full-report-2017.pdf));
- (b) UBS Group AG's audited standalone financial statements for the year ended 31 December 2017 (the "**Standalone Financial Statements**"), which UBS Group AG furnished on Form 6-K to the SEC on 9 March 2018 (accessible at the date of this Base Prospectus at [https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/sec/\\_jcr\\_content/par/accordionbox\\_4489/linklist\\_d1f9/link\\_e774.0972181781.file/bGluay9wYXRoPS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzlwMTcvNmstdWJzLWdyb3VwLWFnLXN0YW5kYWxvbmUtMzEtMTItMTcucGRm/6k-ubs-group-ag-standalone-31-12-17.pdf](https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_d1f9/link_e774.0972181781.file/bGluay9wYXRoPS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzlwMTcvNmstdWJzLWdyb3VwLWFnLXN0YW5kYWxvbmUtMzEtMTItMTcucGRm/6k-ubs-group-ag-standalone-31-12-17.pdf));
- (c) The Issuer's audited financial statements as of 31 December 2017 and income statement for the period from incorporation on 14 November 2016 to 31 December 2017 (accessible at the date of this Base Prospectus at [https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/sec/\\_jcr\\_content/par/accordionbox\\_4489/linklist\\_d1f9/link\\_42407125.1437358034.file/bGluay9wYXRoPS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzlwMTcvNmstZ3JvdXAAtZnVuZGluZy0zMS0xMi0xNy5wZGY=/6k-group-funding-31-12-17.pdf](https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_d1f9/link_42407125.1437358034.file/bGluay9wYXRoPS9jb250ZW50L2RhbS9zdGF0aWMvZ2xvYmFsL2ludmVzdG9yX3JlbGF0aW9ucy9hbm51YWwtcmVwb3J0LzlwMTcvNmstZ3JvdXAAtZnVuZGluZy0zMS0xMi0xNy5wZGY=/6k-group-funding-31-12-17.pdf));
- (d) the Issuer's articles of association dated 11 November 2016 (available at the registered office of the Issuer at Bahnhofstrasse 45, 8001 Zurich, Switzerland);
- (e) the articles of association of UBS Group AG dated 21 February 2017 (accessible at [http://www.ubs.com/global/en/about\\_ubs/corporate-governance/aofassociation.html](http://www.ubs.com/global/en/about_ubs/corporate-governance/aofassociation.html)); and
- (f) all amendments and supplements to this Base Prospectus prepared by the Issuer from time to time.

Copies of the documents incorporated by reference herein are available free of charge at UBS AG, Zurich, Swiss Prospectus, Switzerland (voicemail: +41 44 239 47 03, fax: +41 44 239 69 14, email: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)).

In addition, the annual and quarterly reports and the results materials of UBS Group AG are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors). UBS's financial result-related submissions and filings with the SEC are available at [https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/sec.html](https://www.ubs.com/global/en/about_ubs/investor_relations/sec.html). The information contained on these websites or other securities filings do not form part of this Base Prospectus unless otherwise specifically incorporated by reference herein.

Any statement contained in this Base Prospectus or in a document incorporated or deemed incorporated by reference into this Base Prospectus will be deemed to be modified or superseded for the purposes of this Base Prospectus to the extent that a statement contained in any subsequent document modifies or supersedes that statement. Any statement that is modified or superseded in this manner will no longer be a part of this Base Prospectus, except as modified or superseded.

UBS Group AG is subject to the informational requirements of the US Exchange Act, and, in accordance therewith, files reports and other information with the SEC. Such reports and other information filed with the SEC can be reviewed and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at +1-202-942-8088 for further information on the operation of its public reference room. Reports filed with the SEC can also be accessed at <http://www.sec.gov> via the internet. The information contained on this website does not form part of this Base Prospectus unless otherwise specifically incorporated by reference herein.

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## RISK FACTORS

*Prospective investors should read and carefully consider the following risk factors and other information in this Base Prospectus before deciding to invest in the Notes. Investing in the Notes involves risk, including the risk of loss of a holder's entire investment in the Notes. Prospective investors should reach their own investment decision with regard to the Notes only after consultation with their own financial and legal advisers about risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances. Additional risks not currently known to the Issuer or the Guarantor or that they now deem immaterial may also adversely affect the Issuer or the Guarantor or affect an investment in the Notes.*

*Words and expressions defined in the "General Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section. As used below, the terms "holders of Notes" and "holders" refer to both Holders and beneficial owners of the relevant Series of Notes unless otherwise specified, and references to the "Guarantee" are to the Guarantee related to the relevant Series of Notes.*

*The sequence in which the risk factors are presented below is not indicative of their likelihood of occurrence or the potential magnitude of their financial consequences. Prospective investors should consider, among other things, the following:*

### **Risks relating to the Notes**

***By acceptance of a direct or beneficial interest in a Note, each holder agrees to be bound by the exercise of any Swiss Resolution Power with respect to UBS Group AG that results in the write-down and cancellation of any Notes and/or their conversion into equity of UBS Group AG and by the ordering of any Restructuring Protective Measures that result in the deferral of payments under any Notes, any of which actions may result in the loss of an investor's entire investment in the Notes***

By acceptance of any direct or beneficial interest in a Note, each holder of the Notes acknowledges, agrees to be bound by, and consents to the exercise of, any Swiss Resolution Power with respect to UBS Group AG that results in the write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of the, principal amount of, and/or accrued interest on, the Notes, irrespective of whether such amounts have already become due and payable prior to such action. By acceptance of any direct or beneficial interest in a Note, each such holder further acknowledges, agrees to be bound by, and consents to the ordering of, any Restructuring Protective Measures that result in the deferment of payment of principal and/or interest under the Notes. By acceptance of any direct or beneficial interest in a Note, each holder further acknowledges, agrees and consents that its rights are subject to, and, if necessary, will be altered without such holder's consent, including by means of an amendment or modification to the Notes and the Terms and Conditions of the Notes, so as to give effect to any such exercise of Swiss Resolution Power or any such ordering of Restructuring Protective Measures.

As a result, holders could lose all or substantially all of their investment in the Notes. If any Notes are fully or partially written down, holders will receive no payment in respect of the principal or interest (or the portion thereof) written down. If the Swiss Resolution Authority orders the conversion of any Notes into equity of UBS Group AG, securities received by the holders of Notes may be worth significantly less than the Notes and may have a significantly different risk profile. See also "*— Holders may lose some or all of their investment in the Notes, or suffer a significant delay in payment, if the Swiss Resolution Authority exercises its broad statutory powers allowing it to order Protective Measures, institute Restructuring Proceedings, exercise any Swiss Resolution Power or institute liquidation proceedings with respect to UBS Group AG*" below.

Further, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, consents to any and all necessary action taken, if required, by the Fiscal Agent, DTC or any other Person to implement any such exercise of any Swiss Resolution Power and/or ordering of any Restructuring Protective Measures, without any further action or direction on the part of such Holder or Indirect Holder. In addition, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, waives any and all claims against any such Person for, agrees not to initiate a suit against any Person in respect of, and agrees that no such Person shall be liable for, any action that such Person takes or abstains from taking, in either case in accordance with any such exercise. Each Holder and Indirect Holder, by



acceptance of any direct or beneficial interest in a Note, further acknowledges and agrees that the Fiscal Agent is acting solely as the agent of the Issuer and the Guarantor and does not assume any obligations towards or relationship of agency or trust for or with any Holder or Indirect Holder.

***Holders may lose some or all of their investment in the Notes, or suffer a significant delay in payment, if the Swiss Resolution Authority exercises its broad statutory powers allowing it to order Protective Measures, institute Restructuring Proceedings, exercise any Swiss Resolution Power or institute liquidation proceedings with respect to UBS Group AG***

Under the Swiss Banking Act, the Swiss Resolution Authority is able to exercise broad statutory powers with respect to UBS Group AG as a Swiss parent company of a financial group, including ordering Protective Measures, opening Restructuring Proceedings (and exercising any Swiss Resolution Power in connection therewith), and instituting liquidation proceedings.

If Restructuring Proceedings are opened with respect to UBS Group AG (in which case UBS Group AG will become the Issuer under the Notes, if it is not already), the Swiss Resolution Authority would be able to exercise its Swiss Resolution Powers to, among other things, fully or partially write-down and cancel the principal amount of, and/or accrued interest on, the Notes and/or convert the Notes into equity of UBS Group AG (see also "*—The full or partial write-down of the Notes and/or conversion of the Notes into equity of UBS Group AG may result in a holder losing all or some of its investment in the Notes*" and "*—The Swiss Resolution Authority has substantial discretion as to which Swiss Resolution Powers it will exercise*" below). Furthermore, the Swiss Resolution Authority may order Restructuring Protective Measures that require or result in the deferment of payment of principal and/or interest under the Notes. In that case, no such payment of principal or interest, as applicable, would be due and payable under the Notes until permitted by the Swiss Resolution Authority (as set forth in the relevant order or as otherwise notified by the Swiss Resolution Authority), and such non-payment would not constitute a default or an Event of Default under the Notes. As a result, all payments on the Notes may cease after the exercise of any Swiss Resolution Power with respect to the UBS Group AG, the ordering of any Restructuring Protective Measures or the institution of liquidation proceedings.

The exercise of Swiss Resolution Powers or, indirectly, the ordering of Restructuring Protective Measures with respect to the Notes may cause holders to lose all or some of their investment in the Notes. If the Swiss Resolution Authority orders the conversion of any Notes into equity of UBS Group AG, securities received by the holders of Notes may be worth significantly less than the Notes and may have a significantly different risk profile. The exercise by the Swiss Resolution Authority of any of its statutory powers with respect to UBS Group AG under the resolution regime described above may have a material adverse effect on the price or value of an investment in the Notes and/or the ability of the Issuer or UBS Group AG (whether in its capacity as Guarantor or, following an Issuer Substitution, as Issuer under the Notes) to satisfy their obligations under or in respect of the Notes. See also "*—By acceptance of a direct or beneficial interest in a Note, each holder agrees to be bound by the exercise of any Swiss Resolution Power with respect to UBS Group AG that results in the write-down and cancellation of the Notes and/or their conversion into equity of UBS Group AG and by the ordering of any Restructuring Protective Measures that result in the deferral of payments under the Notes, any of which actions may result in the loss of an investor's entire investment in the Notes*" above.

***The Swiss Resolution Authority has discretion as to when and if to open Guarantor and/or Bank Restructuring Proceedings, and the circumstances under which it would exercise its Swiss Resolution Power are uncertain***

The Swiss Resolution Authority may open liquidation proceedings or Restructuring Proceedings with respect to UBS Group AG (i.e., Guarantor Restructuring Proceedings) or UBS AG (i.e., Bank Restructuring Proceedings), if it concludes that there is justified concern that the relevant entity is over-indebted, has serious liquidity problems or, after the expiry of a deadline, no longer fulfils the applicable capital adequacy requirements (whether on a standalone or consolidated basis, if applicable). Generally, such proceedings with respect to a particular entity shall take the form of Restructuring Proceedings, rather than liquidation proceedings, only if (i) the recovery of, or the continued provision of some or all banking services by, the relevant bank entity appears likely and (ii) the creditors of such bank entity are likely better off in Restructuring Proceedings than in liquidation proceedings. The Swiss Resolution Authority retains significant discretion and there is therefore significant uncertainty regarding the specific factors that it would consider in deciding whether to open Restructuring Proceedings with respect to any Swiss financial institution and in any particular circumstances. If the Swiss Resolution Authority opens

Guarantor Restructuring Proceedings or Bank Restructuring Proceedings, UBS Group AG will become the Issuer under the Notes, if it is not already. This means that, to the extent it opens Guarantor Restructuring Proceedings, the Swiss Resolution Authority would be able to exercise its Swiss Resolution Powers to, among other things, fully or partially write-down and cancel the principal amount of, and/or accrued interest on, the Notes and/or convert the Notes into equity of UBS Group AG.

Once the Swiss Resolution Authority has opened Guarantor Restructuring Proceedings, it may consider factors such as the results of operations, financial condition (in particular, the level of indebtedness), liquidity profile and regulatory capital adequacy of UBS Group AG and its subsidiaries, when determining whether to exercise any Swiss Resolution Power with respect to UBS Group AG, as well as other factors. The criteria that the Swiss Resolution Authority would consider in exercising any Swiss Resolution Power provide it with considerable discretion. Therefore, holders may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such Swiss Resolution Power and, consequently, its potential effects on the Notes and/or UBS Group AG, if applicable.

***Holders and other creditors of UBS Group AG may bear the losses rather than the creditors of any troubled subsidiary as a result of the exercise of discretion by the Swiss Resolution Authority***

In its position paper on resolution of global systemically important banks of 7 August 2013, the Swiss Financial Market Supervisory Authority FINMA ("FINMA") declared that its preferred resolution strategy for global systemically important financial groups consists of central resolution proceedings led by the bank's "home" supervisory and resolution authorities and focuses on the top-level group company. This so-called "single-point-of-entry" resolution strategy would mean that, if UBS AG or one of UBS Group AG's other subsidiaries (including the Issuer) faces substantial losses, the Swiss Resolution Authority could intervene by opening Restructuring Proceedings with respect to UBS Group AG and ordering a bail-in of its liabilities (including any Notes) if there is a justified concern that in the near future such losses could impact UBS Group AG. In other words, rather than waiting until the losses are passed on "up the chain" to UBS Group AG, the Swiss Resolution Authority could require or execute a top-down recapitalisation in order to avoid further contagion within the Group. Although the Swiss Resolution Authority would still have the discretion to open Restructuring Proceedings with respect to UBS AG, the Issuer and/or any other troubled Swiss banking subsidiaries independently or concurrently with Guarantor Restructuring Proceedings, assuming the Swiss Resolution Authority follows FINMA's publicly acknowledged single-point-of-entry resolution strategy, this would mean that the Swiss Resolution Authority would only open Guarantor Restructuring Proceedings and might order a full or partial write-down and cancellation and/or conversion into equity of UBS Group AG of the principal of and/or interest on any Notes in order to permit UBS Group AG to recapitalise the troubled subsidiary or subsidiaries. Consequently, investors should be aware that, to the extent that UBS AG or any other subsidiary of UBS Group AG has any instruments or other obligations outstanding at the time of any Guarantor Restructuring Proceedings, including any regulatory capital instruments or other subordinated instruments, it is possible that those instruments or other obligations would remain untouched and outstanding, while the Notes are written-down and/or converted into equity of UBS Group AG in order to recapitalise UBS AG or such other subsidiary. See also "*—As UBS Group AG is a holding company, its ability to meet its financial obligations is dependent upon funding, dividend and other distributions received from its subsidiaries, which may be subject to restrictions*" below.

***The full or partial write-down of the Notes and/or conversion of the Notes into equity of UBS Group AG may result in a holder losing all or some of its investment in the Notes***

If the Swiss Resolution Authority opens Guarantor Restructuring Proceedings, it would be able to exercise its Swiss Resolution Powers to fully or partially write-down the principal of, and/or accrued interest on, any Notes (see "*—Holders may lose some or all of their investment in the Notes, or suffer a significant delay in payment, if the Swiss Resolution Authority exercises its broad statutory powers allowing it to order Protective Measures, institute Restructuring Proceedings, exercise any Swiss Resolution Power or institute liquidation proceedings with respect to UBS Group AG*" above). Upon the occurrence of any full or partial write-down of the Notes, holders would not, at such time or at any time thereafter, (i) receive any shares or other participation rights in the Issuer or UBS Group AG or be entitled to any other participation in the upside potential of any equity or debt securities issued by the Issuer or UBS Group AG or (ii) be entitled to any write-up or any other compensation in the event of a potential recovery of the Issuer or UBS Group AG or any change in the financial condition thereof. In the case of a full write-down of any Notes, the Notes would be permanently written-down to zero and cancelled, and holders would lose all of their investment in the Notes.

Holders should also note that if the Swiss Resolution Authority opens Guarantor Restructuring Proceedings and exercises its Swiss Resolution Powers to fully or partially convert any Notes into equity of UBS Group AG, the circumstances surrounding such event would likely include a prior deterioration in the market price, if any, of UBS Group AG's shares, which may be expected to accelerate after the opening of the Guarantor Restructuring Proceedings. Further, there is no assurance that the conversion rate set by the Swiss Resolution Authority would reflect par or other market conditions. As a result, the value of the equity instruments received could be substantially lower than the price paid for any Notes or the principal amount of the Notes. Furthermore, the equity instruments would have a significantly different risk profile from the Notes. As a result, holders could lose all or substantially all of their investment in the Notes.

In addition, following the conversion of Notes into equity of UBS Group AG, the former holders of such Notes will be effectively subordinated to all creditors in the event of a winding up, liquidation or dissolution of UBS Group AG, which would increase the risk that holders will lose all or some of their investment. Further, it is uncertain whether and when former holders will actually receive, be credited with, and be in a position to exercise rights under any securities issued upon conversion of the Notes. Any instruments received by Holders of the Notes upon conversion of the Notes will likely not be listed for an extended period of time, if at all, or, if initially or previously listed, might be delisted by the relevant exchange. Unlisted instruments might be less liquid than listed instruments, and therefore might have little or no resale value.

By acceptance of any direct or indirect beneficial interest in a Note, each holder acknowledges, agrees to be bound by, and consents to, the exercise of this write-down and conversion authority. For additional information on the resolution regime under Swiss banking laws and regulations as it currently applies to UBS Group AG and the various restructuring tools available to FINMA, see "*Regulation and supervision—Regulation and supervision in Switzerland*" in the Annual Report 2016, "*—Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans*" and "*—If UBS experiences financial difficulties, FINMA has the power to open Restructuring Proceedings 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*".

***The Swiss Resolution Authority has substantial discretion as to which Swiss Resolution Powers it will exercise***

Together with the relevant provisions of the Swiss Banking Act, the FINMA Ordinance of 30 August 2012 on the Insolvency of Banks and Securities Dealers (as may be amended from time to time, the "**Swiss Banking Insolvency Ordinance**") governs Restructuring Proceedings and liquidation proceedings with respect to Swiss banks and securities dealers, such as UBS AG, and, since 1 January 2016, Swiss parent companies of financial groups, such as UBS Group AG.

Instead of prescribing a particular resolution concept, the Swiss Banking Insolvency Ordinance provides the Swiss Resolution Authority with a significant amount of authority and discretion in the case of Restructuring Proceedings or liquidation proceedings, as well as various restructuring tools from which the Swiss Resolution Authority may choose. See also "*—Holders may lose some or all of their investment in the Notes, or suffer a significant delay in payment, if the Swiss Resolution Authority exercises its broad statutory powers allowing it to order Protective Measures, institute Restructuring Proceedings, exercise any Swiss Resolution Power or institute liquidation proceedings with respect to UBS Group AG*".

If the Swiss Resolution Authority opens Restructuring Proceedings with respect to UBS Group AG (i.e., Guarantor Restructuring Proceedings), the Swiss Resolution Authority will have discretion to exercise Swiss Resolution Powers, including (i) transferring some or all of the assets of UBS Group AG, together with some or all of UBS Group AG's debt, other liabilities and contracts, to another entity, (ii) staying (for a maximum of two business days) the termination of contracts to which UBS Group AG is a party, and/or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of certain types of collateral or (z) rights to transfer claims, liabilities or certain collateral under contracts to which UBS Group AG is a party, (iii) converting UBS Group AG's debt into equity (a "**debt-to-equity swap**"), and/or (iv) partially or fully writing off UBS Group AG's obligations (a "**haircut**"). Under the Terms and Conditions of the Notes, in the case of Guarantor Restructuring Proceedings or Bank Restructuring Proceedings, UBS Group AG will become (if it is not already) the Issuer for all purposes under the Notes

and the Swiss Resolution Authority will therefore be able to take any of the foregoing actions with respect to the Notes if it opens Guarantor Restructuring Proceedings.

***Notes may be written-down and cancelled in connection with Guarantor Restructuring Proceedings while preserving other obligations of UBS Group AG ranking pari passu with or junior to the Notes***

Prior to any debt-to-equity swap or haircut with respect to any Notes, outstanding equity capital and debt instruments issued by UBS Group AG qualifying as additional tier 1 capital or tier 2 capital must be converted or written-down, as applicable, and cancelled. While the Swiss Banking Insolvency Ordinance does not expressly address the order in which a haircut of debt instruments other than debt instruments qualifying as additional tier 1 capital or tier 2 capital should occur, it states that debt-to-equity swaps should occur in the following order: first, all subordinated claims not qualifying as regulatory capital, second, all other claims not excluded by law from a debt-to-equity swap (other than deposits), and third, deposits (in excess of the amount privileged by law). However, given the broad discretion granted to the Swiss Resolution Authority, any restructuring plan approved by the Swiss Resolution Authority in connection with Guarantor Restructuring Proceedings could provide that the claims under or in connection with the Notes will be fully or partially converted into equity or written-off, while preserving other obligations of UBS Group AG that rank *pari passu* with, or even junior to, UBS Group AG's obligations under the Notes. See also the discussion regarding the FSB TLAC Standard, the revised Capital Adequacy Ordinance and the Draft FBA Amendment (each as defined below) and excluded liabilities under "*Changes of law may adversely affect the rights of holders under the Notes*" below.

***The rights of holders to challenge the exercise of any Swiss Resolution Power are limited***

Holders and other creditors will have no right to vote on or reject any restructuring plan approved by the Swiss Resolution Authority pursuant to which it exercises its Swiss Resolution Powers in connection with Guarantor Restructuring Proceedings. Furthermore, holders and other creditors will have no right to seek the suspension of any such restructuring plan. In particular, in the case of Guarantor Restructuring Proceedings, holders would have no right to vote on, reject or seek the suspension of any exercise of Swiss Resolution Powers that result in the write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of the, principal amount of, and/or accrued interest on, any Notes, whether or not those claims have already become due and payable prior to the occurrence of a Guarantor Restructuring Event. In addition, holders will have only limited rights to challenge any decision of the Swiss Resolution Authority to exercise its Swiss Resolution Powers with respect to UBS Group AG or to have that decision reviewed by a judicial or administrative process or otherwise. Even if any of UBS Group AG's creditors challenge the Swiss Resolution Authority's restructuring decisions in court and a competent court finds that any principles of the Swiss restructuring law have not been met, the court could only require the relevant creditors to be compensated *ex post* and there is currently no guidance as to on what basis such compensation would be calculated and how it would be funded. Any such challenge (even if successful) would not suspend, or result in the suspension of, the implementation of the restructuring plan.

***Even if the Notes are not written down and cancelled or converted into equity, the Swiss Resolution Authority may order Protective Measures with respect to UBS Group AG and/or the Issuer, including the deferral of payment of interest or principal***

The Swiss Resolution Authority may order Protective Measures with respect to UBS Group AG if there is justified concern that UBS Group AG is over-indebted, has serious liquidity problems or, after the expiration of any relevant deadline, no longer fulfils the applicable capital adequacy requirements (whether on a standalone or consolidated basis, if applicable). Such Protective Measures may be ordered (i) outside and independent of any Guarantor Restructuring Proceedings or (ii) upon the opening of or during any Guarantor Restructuring Proceedings. Protective Measures may include, but are not limited to, certain measures that could require or result in a moratorium on, or the deferment of payment of principal and/or interest due under any Notes. Since the Issuer has been designated as a "relevant group company" (*wesentliche Gruppengesellschaft*) pursuant to art. 2<sup>bis</sup> paragraph 1 lit. b of the Swiss Banking Act, the Swiss Resolution Authority may also order any such Protective Measures with respect to the Issuer both independently or concurrently with any Protective Measures ordered with respect to UBS Group AG. See also "*If the Issuer experiences financial difficulties, the Swiss Resolution Authority may open Restructuring Proceedings or liquidation proceedings in respect of, and/or impose Protective Measures in relation to, the Issuer, which proceedings or measures may have a material adverse effect on the terms and market value of Notes and/or the ability of the Issuer to make payments thereunder*" below.

UBS Group AG and the Issuer will have limited ability to challenge any such Protective Measures. Additionally, Holders would have no right under Swiss law or in Swiss courts to reject, seek the suspension of, or challenge the imposition of any such Protective Measures, including any Protective Measures that require or result in the deferment of payment of principal and/or interest under any Notes. Furthermore, by accepting any direct or beneficial interest in a Note, each Holder acknowledges, agrees to be bound by, and consents to the exercise of, this authority to defer the payment of principal and/or interest under the Notes, if exercised upon the opening of or during the course of Guarantor Restructuring Proceedings.

If UBS Group AG fails to pay any principal and/or interest when otherwise due on any Notes as a result of any Restructuring Protective Measure, this failure will not constitute a default or an Event of Default. However, if UBS Group AG fails to pay any principal and/or interest when due on any Notes as a result of any Protective Measure ordered with respect to UBS Group AG outside of and independent of any Guarantor Restructuring Proceedings or if the Issuer fails to pay any principal and /or interest when due on any Notes as a result of any Protective Measure ordered with respect to the Issuer (whether or not outside of and independent of Restructuring Proceedings with respect to the Issuer), such failure will constitute a default or an Event of Default, if it would otherwise constitute a default or an Event of Default under the applicable Terms and Conditions of the Notes. The Guarantor and the Issuer will have limited ability to prevent any such default or Event of Default.

If the Swiss Resolution Authority orders a moratorium as a Protective Measure with respect to the Guarantor or the Issuer, for so long as such Protective Measure is in effect the possibility to initiate or continue debt collection proceedings or court proceedings in Switzerland against the Guarantor or the Issuer, as the case may be, with respect to claims under any Notes will be suspended, even if the moratorium results in a default or Event of Default under the applicable Terms and Conditions of the Notes.

***Certain events do not constitute defaults or Events of Default under the Notes***

Under the Terms and Conditions of the Notes, neither (i) a Guarantor Restructuring Event, nor (ii) the exercise of any Swiss Resolution Power with respect to UBS Group AG that requires or results in any write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of, the principal amount of, and/or accrued interest on, any Notes, nor (iii) the ordering of any Restructuring Protective Measures that require or result in the deferment of payment of principal and/or interest under any Notes, nor (iv) any consequences resulting from any of the foregoing, will be a default or an Event of Default.

***The Issuer may, without consent of the holders, substitute the Guarantor or another controlled subsidiary of UBS Group AG as the Issuer under the Notes***

Under the Terms and Conditions of the Notes, the Issuer may, without consent of the holders and subject to certain conditions, substitute the Guarantor for itself as issuer under the Notes of any Series, so long as interest on such Notes may be paid without the deduction by UBS Group AG of withholding tax, and the other conditions described under "*Issuer Substitution – Voluntary Substitution*" in the General Terms and Conditions are satisfied. Further, under the Terms and Conditions of the Notes, provided that a Voluntary Issuer Substitution has not previously occurred pursuant to which UBS Group AG has been substituted for the Issuer as primary obligor under the relevant Series of Notes, upon the occurrence of a Restructuring Event, UBS Group AG will automatically be substituted for the Issuer for all purposes under such Notes without further consent of the holders and without the need to satisfy any tax or other conditions. This means that, upon either a Voluntary Issuer Substitution pursuant to which UBS Group AG has been substituted for the Issuer as primary obligor under the Notes or an automatic Restructuring Issuer Substitution, the Guarantee would cease to exist, and the Holders would at such time only be owed obligations under the Notes by, and the Holders would only have a claim against, UBS Group AG.

In addition, under the Terms and Conditions of the Notes, the Issuer may, without the consent of the holders and subject to certain conditions, substitute for itself any direct or indirect controlled subsidiary of UBS Group AG as issuer under the Notes of any tranche. So long as the conditions described under "*Issuer Substitution – Voluntary Substitution*" in the General Terms and Conditions are satisfied, such subsidiary may be an entity incorporated in a jurisdiction other than Switzerland or having a different form from the Current Issuer or UBS Group AG. In such a case, the rights of holders under the laws of the jurisdiction of such subsidiary may differ from the rights of holders against the Current Issuer and

UBS Group AG under the laws of Switzerland. For example, other types of entities or entities formed in other jurisdictions may be subject to different insolvency regimes or may not be subject to suit in the same manner. As a result, holders may be required to comply with legal procedures for making a claim or enforcing an action against the Substitute Issuer specific to the jurisdiction or form of incorporation of the Substitute Issuer that differ from the legal procedures required for making a claim or enforcing an action against the Current Issuer and UBS Group AG under the laws of Switzerland.

The Issuer is a wholly-owned subsidiary of, and is controlled by, UBS Group AG and would make its determination as to whether to effect a Voluntary Issuer Substitution at the direction and under the control of UBS Group AG. UBS Group AG would make its decision as to whether to cause the Issuer to exercise its right to make a Voluntary Issuer Substitution based on whether doing so would be most beneficial to UBS Group AG for any reason. The Swiss Federal Council decided at its meeting of 14 February 2018 that systemically important banks or bank holding companies, such as UBS Group AG, should not be additionally taxed for instruments issued with a view to satisfying the requirements of the Swiss TBTF framework, including instruments qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*) or as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*), if such instruments are issued out of the parent company of the relevant group. In order to support the aims of the Swiss TBTF framework, it is therefore envisaged that the calculation of the participation exemption (*Beteiligungsabzug*) for the group parent company of systemically important banks will be adjusted accordingly. In particular, interest expenses under the aforementioned instruments would no longer be part of financing expenses, which reduce the participation exemption. The Swiss Federal Council transmitted a respective dispatch (*Botschaft*) to the Swiss Parliament on 14 February 2018. UBS Group AG currently expects to cause the Issuer to effect a Voluntary Issuer Substitution, so that UBS Group AG would become the issuer under all outstanding Notes after such amendments have come into effect.

***The Guarantor will need to be notified in order to claim any amounts under the Guarantee***

Pursuant to the terms of the Guarantee and requirements of Swiss law, the Guarantor will need to be notified before any amounts can be enforced under the Guarantee. This requirement may result in a delay in the ability of the holder to receive the relevant payment of principal and/or interest. This could have an adverse effect on the interests of the holders. In respect of any Series of Uncertificated Notes, Holders will be responsible for making their respective claims under the Guarantee.

In respect of any Series of Registered Notes, pursuant to the terms of the Senior Debt Fiscal Agency Agreement, the Fiscal Agent will give that notice, upon receipt of a written request by (i) a DTC participant on behalf of any beneficial owner or (ii) any holder of a Registered Definitive Certificate, in either case using the form that will be provided for such purpose by the Fiscal Agent upon request, and if the Issuer has not met its payment obligations owed to the relevant holders under the Notes on the relevant due date and such obligations remain unpaid at the end of the three day period following such due date.

***As UBS Group AG is a holding company, its ability to meet its financial obligations is dependent upon funding, dividend and other distributions received from its subsidiaries, which may be subject to restrictions***

UBS Group AG is a holding company and its direct and indirect subsidiaries conduct the operations of UBS as a financial services firm. UBS Group AG's interests in UBS AG represent substantially all of its assets and revenues. UBS Group AG's ability to meet its financial obligations in the future, including those under the Guarantee (or, if it is substituted for the Issuer as issuer under the Notes, under the Notes), will depend on the level of funding, dividends and other distributions, if any, received from its operating subsidiaries, including UBS AG and its subsidiaries and any new subsidiaries established by UBS Group AG in the future. UBS Group AG's subsidiaries are separate and distinct legal entities, and their ability to provide UBS Group AG with funds for UBS Group AG's payment obligations (including those under the Guarantee (or, if it is substituted for the Issuer as issuer under the Notes, under the Notes)), whether by dividends, distributions, loans or other payments, including but not limited to payments in connection with capital instruments issued by UBS Group AG's subsidiaries to UBS Group AG, may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable regulatory capital, liquidity and other restrictions. In particular, UBS Group AG's subsidiaries, including UBS AG, may be subject to laws that restrict dividend payments, authorise regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS Group AG, or limit or prohibit transactions with affiliates. Moreover, certain of UBS Group AG's subsidiaries are subject to, or may be

subject to the exercise of statutory powers of a regulator that has powers similar to, the statutory powers of the FINMA (including its Swiss resolution powers in restructuring proceedings and ability to order protective measures) and/or subject to requirements with respect to loss-absorbing capacity that could impact their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group AG or another member of the Group. Restrictions and regulatory actions of this kind could impede access to funds that UBS Group AG may need to meet its financial obligations. Moreover, any distribution of earnings to UBS Group AG from its subsidiaries, or advances or other distributions of funds by these subsidiaries to UBS Group AG, even if not restricted or limited as mentioned above, are contingent upon the subsidiaries' earnings, as well as approvals by relevant regulators and are subject to various business considerations. These requirements and/or limitations could adversely affect UBS Group AG's ability to pay amounts due under the Guarantee (or, if it is substituted for the Issuer as issuer under the Notes, under the Notes).

Additionally, since the creditors of any of UBS Group AG's subsidiaries would generally have a right to receive payment that is prior to UBS Group AG's right to receive payment from the assets of that subsidiary, the rights of holders of the Notes against UBS Group AG under the Notes and/or the Guarantee, as the case may be, will be structurally subordinated to creditors of UBS Group AG's subsidiaries.

***UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements***

In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail ("**TBTF**") 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.

There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of UBS Group AG and/or its ability to fulfil its obligations with respect to the Notes.

***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of such investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Base Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact the relevant Notes will have on its overall investment portfolio;

- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated;
- (d) understand thoroughly the applicable Terms and Conditions of the Notes, such as the circumstances under which the Swiss Resolution Authority will have power to write-down or require a conversion of the relevant Notes into equity of UBS Group AG and/or defer payments thereunder, and the effect of the condition of UBS Group AG and UBS AG on the relevant Notes;
- (e) understand thoroughly that certain events do not constitute defaults or Events of Default under the relevant Notes; and
- (f) be able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the relevant Notes unless it has the knowledge and expertise (either alone or with a financial adviser) to evaluate how the relevant Notes will perform under changing conditions, the resulting effects on the value of the relevant Notes due to the likelihood of an exercise of Swiss Resolution Power or the ordering of Protective Measures with respect to the Guarantor, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Base Prospectus or incorporated by reference herein.

***The Notes may be redeemed prior to maturity at the Issuer's option upon a Tax Event and, if so specified in the relevant Pricing Supplement, upon an Ineligibility Event and/or on any Optional Redemption Date and/or any Make-Whole Redemption Date***

The General Terms and Conditions provide that the Notes of a relevant Series are redeemable at the Issuer's option in whole but not in part upon a Tax Event. In addition, if in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies that the Notes are redeemable at the Issuer's option pursuant to an Issuer Call, a Make-Whole Redemption and/or an Ineligibility Issuer Call, such Notes will be redeemable at the Issuer's option in whole but not in part on any Optional Redemption Date, Make-Whole Redemption Date and/or upon the occurrence of an Ineligibility Event, respectively. Accordingly, upon the occurrence of a Tax Event or an Ineligibility Event or on any Optional Redemption Date or Make-Whole Redemption Date, as the case may be, the Issuer may choose to redeem the relevant Notes at times when its cost of alternative borrowing is lower than the interest rate on the relevant Notes. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Potential investors should consider whether and how to reinvest the proceeds of such redemption in light of other investments available at that time. There can be no assurance that holders will be able to reinvest the redemption proceeds at a rate that will provide the same rate of return as their investment in the relevant Notes. During any period when the Issuer has the right to elect to redeem the relevant Notes, the market value of the relevant Notes generally will not rise substantially above the price at which they can be redeemed. There is no requirement to redeem the relevant Notes or any other senior debt of the Issuer on a pro rata basis or otherwise should the Issuer exercise its right to redeem the relevant Notes upon the occurrence of a Tax Event or pursuant to an Issuer Call, a Make-Whole Redemption or Ineligibility Issuer Call.

Any redemption of any Notes prior to maturity will be subject to the consent of FINMA, if such approval is then required under applicable Swiss laws and regulations. This requirement may result in the Issuer not being able to redeem the relevant Notes even when it would appear likely to do so.

***There is no restriction on the amount or type of further securities or indebtedness that the Issuer or the Guarantor may issue, incur or guarantee***

There is no restriction on the amount or type of further securities or indebtedness that the Issuer or the Guarantor may issue, incur or guarantee, as the case may be, that rank senior to, or *pari passu* with, any Notes offered hereby or the corresponding Guarantee, respectively. The issue or guaranteeing of any such further securities or indebtedness may reduce the amount recoverable by holders under any Notes or the Guarantee upon a liquidation or winding-up of the Issuer or the Guarantor, respectively. In addition, the Notes will not contain any restriction on the Issuer, and the Guarantee does not contain any restriction



of the Guarantor, issuing (or guaranteeing) securities that may have preferential rights to such Notes or the Guarantee, respectively. See also "— A downgrade, suspension or withdrawal of the rating assigned by any rating agency to a Series of Notes could cause the liquidity or market value of the Notes to decline".

***In the case of any Registered Notes, the Global Certificates will be held by or on behalf of DTC, and holders of beneficial interests therein, including those holding through Euroclear, Clearstream, Luxembourg or SIX SIS Ltd, would have to rely on the procedures of DTC and each other Relevant Clearing System for transfer, payment, voting and communication with the Issuer and the Guarantor***

Each Series of Registered Notes is represented by Registered Global Certificates that will be deposited with the custodian for DTC. Except in certain limited circumstances described in the General Terms and Conditions, Holders will not be entitled to receive Registered Notes in definitive form. DTC (and Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and SIX SIS Ltd ("**SIS**") as direct and indirect participants, as the case may be, in DTC) will maintain records of the beneficial interests in the Registered Global Certificates. While the Registered Notes of any Series are represented by one or more Global Certificates, holders will be able to exchange their beneficial interests in such Registered Notes only through DTC or other Relevant Clearing System, as applicable.

A holder of a beneficial interest in Registered Notes represented by a Global Certificate will have to rely on the procedures of DTC or any other relevant clearing system to receive payments under such Registered Notes. The Issuer, the Guarantor and the Fiscal Agent will have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in those Global Certificates.

Holders of beneficial interests in Registered Notes represented by a Global Certificate will not have a direct right to vote in respect of such Registered Notes. Instead, such holders would be permitted to act only to the extent that they were enabled by DTC to appoint appropriate proxies.

***In the case of Registered Global Certificates held by or on behalf of DTC, any transfer of beneficial interests in Registered Notes represented by Registered Global Certificates that is initiated prior to the delivery of a notice to DTC specifying the occurrence of a Restructuring Event but that is scheduled to settle after receipt of such notice by DTC will be rejected by DTC and will not settle within DTC***

Following the receipt of notice by DTC regarding the occurrence of a Restructuring Event, DTC shall suspend all clearance and settlement of beneficial interests in Registered Notes represented by Registered Global Certificates held by or on behalf of DTC. As a result, holders would not be able to settle the transfer of beneficial interests in any Registered Notes represented by Registered Global Certificates held by or on behalf of DTC following the receipt of such notice by DTC due to the suspension of settlement activities with respect to those Registered Notes within DTC. In addition, any sale or other transfer of beneficial interests in Registered Notes represented by Registered Global Certificates held by or on behalf of DTC that a beneficial holder may have initiated prior to the receipt of such notice by DTC that is scheduled to settle following the receipt of such notice by DTC would be rejected by DTC and would not be settled within DTC. In this circumstance, transferors of such beneficial interests would not receive any consideration through DTC in respect of such intended transfer because DTC would not settle such transfer.

***Receipt by the Fiscal Agent (in respect of any Registered Notes) and the Principal Paying Agent (in respect of any Uncertificated Notes) of due and punctual payment of funds due under any Notes from the Issuer (failing which, the Guarantor) will release each of the Issuer and the Guarantor from its obligations under such Notes and the Guarantee, respectively, to the extent of such payment, even if such payment is not ultimately received by the Holders.***

Any Notes will be represented by one or more Global Certificates except in certain limited circumstances described under Condition 2 of the General Terms and Conditions (Amount, Denomination and Form). While the Notes are represented by one or more Global Certificates, the Issuer (failing which, the Guarantor) will discharge its payment obligations under such Notes by making payments to: (i) the Fiscal Agent (in respect of any Registered Notes), which then makes payments to DTC or a nominee thereof, for distribution to its account holders; or (ii) the Principal Paying Agent (in respect of any Uncertificated Notes), which then makes payments to SIS for distribution to the Holders. The receipt by the Fiscal Agent or the Principal Agent (as applicable) of due and punctual payment of funds due under the Notes

from the Issuer (failing which, the Guarantor), will release each of the Issuer and the Guarantor from such payment obligations under the Notes and the Guarantee, respectively, to the extent of such payment, even if such payment is not ultimately received by the Holders. In respect of Registered Notes, a holder of a beneficial interest in a Global Certificate must rely on the Fiscal Agent and the procedures of DTC to receive payments under the Notes, and is, therefore, subject to the credit risk of the Fiscal Agent. In respect of Uncertificated Notes, the Holders must rely on the Principal Paying Agent and the procedures of SIS to receive payments under the Notes, and is, therefore, subject to the credit risk of the Principal Paying Agent.

***None of the Notes will be covered by any government compensation or insurance scheme and will not have the benefit of any government guarantee***

An investment in the Notes will not be covered by any compensation or insurance scheme of any government agency of Switzerland or any other jurisdiction, and neither such Notes nor the corresponding Guarantee will have the benefit of any government guarantee. Any Notes and the Guarantee will be the obligations of the Issuer and Guarantor only (as applicable) and holders must solely look to the Issuer and the Guarantor for the performance of their respective obligations under such Notes and the Guarantee (as applicable). In the event of the Issuer's or the Guarantor's insolvency, a holder may lose all or some of its investment in the relevant Notes.

***In certain instances, Holders may be bound by certain amendments to the Notes to which they did not consent***

The Notes are subject to statutory provisions of Swiss law allowing for the calling of meetings of Holders to consider matters affecting their interests. These provisions permit defined majorities to bind all Holders of the relevant Series of Notes, including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority. Pursuant to the relevant statutory provisions of Swiss law as in effect as at the date of this Base Prospectus, (i) the Issuer will be required to provide Holders with at least ten days' notice of any meeting of Holders, (ii) the Issuer will be required to call a meeting of Holders within 20 days if it is requested to do so by Holders holding an aggregate principal amount of Notes that represents at least one-twentieth of the outstanding aggregate principal amount of the Notes of the relevant Series, and (iii) only Holders or their proxies will be entitled to attend or vote at a meeting of Holders. For more information on such provisions of Swiss law as in effect as at the date of this Base Prospectus, including the applicable Holder approval requirements for amendments to the terms of the Notes, see "*Meetings of Holders and Amendments under Swiss Law*" beginning on page 123 of this Base Prospectus. See also "*The method pursuant to which the Floating Rate of Interest for any Floating Rate Note or Fixed Rate/Floating Rate Note is determined may adversely affect the value of and return on such Notes*" below.

***There is no active trading market for the Notes, and the Notes are subject to transfer restrictions that may further reduce their liquidity***

Notes will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued) and one may never develop. If a market for the Notes does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies, or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. Furthermore, even in the case of a Series of Notes that is admitted to trading and listing on the SIX Swiss Exchange or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, there can still be no assurance as to the development or liquidity of any trading market for any such Notes and one may never develop.

In addition, holders of Notes should be aware that, in view of the prevailing and widely reported global credit market conditions, the secondary market for Notes and instruments of this kind may be illiquid. Neither the Issuer nor the Guarantor can predict whether and when these circumstances will change.

Furthermore, the Notes will not be registered under the US Securities Act or any US state securities laws, and the Issuer and the Guarantor have no plans, and are under no obligation, to register the Notes under the US Securities Act. The Notes are subject to certain transfer restrictions and can be transferred only in accordance with the transfer restrictions described under "*Subscription and Sale*" below. Such restrictions on the transfer of the Notes may further limit their liquidity.

***The interest rate on Fixed Rate/Floating Rate Notes will convert from a fixed rate to a floating rate, which can be expected to affect interest payments on such Notes and could affect the secondary market in and the market value of such Notes.***

Fixed Rate/Floating Rate Notes will initially bear interest at the fixed rate specified in the relevant Pricing Supplement until but excluding (or, in the case of Swiss Franc Notes, until and including) the Floating Rate Commencement Date (as specified in the relevant Pricing Supplement). Thereafter, the interest rate applicable to the Fixed Rate/Floating Rate Notes will convert to a floating rate, which rate will be determined for each interest period on the applicable interest determination date by reference to the reference rate specified in the relevant Pricing Supplement as adjusted for any applicable margin, and may be subject to maximum interest rate, a minimum interest rate or both. Upon such conversion, the floating rate of interest for the first (and any subsequent) interest period could be less than the initial interest rate and/or the spread on the Fixed Rate/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate and, therefore, adversely affect the secondary market in and the market value of such Fixed Rate/Floating Rate Notes.

***The interest rate on Fixed Rate/Fixed Rate Notes will reset on the Reset Date, which can be expected to affect interest payments on such Notes and could affect the secondary market in and the market value of such Notes.***

Fixed Rate/Fixed Rate Notes will initially bear interest at the fixed rate specified in the applicable Pricing Supplement until but excluding (or, in the case of Swiss Franc Notes, until and including) the Reset Date (as specified in the relevant Pricing Supplement). Thereafter, the interest rate applicable to the Fixed Rate/Fixed Rate Notes will be reset to a new fixed rate, which rate will be determined by the Issuer on the Reset Determination Date (as specified in the relevant Pricing Supplement) by reference to the reference rate specified in the relevant Pricing Supplement as adjusted for the applicable margin. Such new fixed rate could be less than the initial interest rate and, therefore, adversely affect the secondary market in and the market value of such Fixed Rate/Fixed Rate Notes.

***The method pursuant to which the Floating Rate of Interest for any Floating Rate Note or Fixed Rate/Floating Rate Note is determined may adversely affect the value of and return on such Notes.***

Certain Reference Rates, including LIBOR, are deemed to be "benchmarks" and are the subject of ongoing national and international regulatory scrutiny and reforms. Some of these reforms are already effective, while others are still to be formulated or implemented. For example, since April 2013, the U.K. Financial Conduct Authority ("FCA") has regulated LIBOR, a "benchmark" that may be specified as the Reference Rate for the purposes of determining the Floating Rate of Interest for Series of Floating Rate Notes and Fixed Rate/Floating Rate Notes, permitting issuers to continue to use LIBOR as a reference rate in securities such as the Notes. Efforts to transition from LIBOR to alternative benchmark rates are under way in several jurisdictions. The FCA announced in July 2017 that it will not continue beyond 2021 to regulate LIBOR or take other actions to sustain LIBOR as a benchmark, and urged users of LIBOR to plan to transition to alternative reference rates. As a result, there can be no guarantee that LIBOR will be determined after 2021 on the same basis at present, if at all.

In April 2017, the Working Group on Sterling Risk-Free Reference Rates selected the Sterling Overnight Index Average as the recommended British pound risk-free rate. In the US, the Alternative Reference Rates Committee has recommended a broad Treasuries repo financing rate as the new US dollar secured risk-free rate, which is expected to be available in 2018. The Federal Reserve Bank of New York has launched a consultation on the construction of this and two other Treasury repurchase agreement-derived rates. The European Central Bank ("ECB") has also recently announced its decision to develop, before 2020, a euro unsecured overnight interest rate based on transaction data already reported to the ECB by banks. At this time, it is not possible to predict the effect of any such changes, whether any predominant reference rate will be established or the effect of the establishment

of any alternative reference rates, or the effect of any other reforms to LIBOR that may be implemented in the United Kingdom or elsewhere.

Pursuant to the General Terms and Conditions, if the Reference Rate for any Floating Rate Note or Fixed Rate/Floating Rate Note does not appear on the Relevant Screen Page at the Relevant Time on any Interest Determination Date, (i) if the Reference Rate is LIBOR or EURIBOR, Condition 6(d)(i) provides that the Floating Rate of Interest applicable to the related Interest Period will be determined by the Calculation Agent by averaging quotes obtained from reference banks, if available, or, if no such quotes are available, by reference to the Floating Rate of Interest determined as at the last preceding Interest Determination Date (or, in the case of the first Interest Period for Fixed Rate/Floating Rate Notes, will be equal to the Fixed Rate of Interest), and (ii) in the case of all other Reference Rates, pursuant to the alternative method specified in the applicable Pricing Supplement (in each case, the "**Fallback Mechanism**").

Notwithstanding the Fallback Mechanism applicable to any Floating Rate Note or Fixed Rate/Floating Rate Note, if the Issuer (in consultation with the Calculation Agent) determines that the applicable Reference Rate (the "**Existing Reference Rate**") is discontinued, then the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine, in its reasonable discretion, an alternative reference rate that has replaced the Existing Reference Rate in customary market usage or, if it determines that no such rate has replaced the Existing Reference Rate, such other rate that it reasonably determines is most comparable to the Existing Reference Rate in accordance with the terms of Condition 6(d)(ii)(c) (the "**Alternative Reference Rate**"). If the Issuer is not able to appoint an Independent Adviser, using its reasonable endeavours, then the Issuer (in consultation with the Calculation Agent) may make these determinations itself. Any such determination may also result in changes to, *inter alia*, the definitions of Day Count Fraction, Business Day and/or Interest Determination Date and any method for determining the Floating Rate of Interest if such Alternative Reference Rate is unavailable on the relevant Interest Determination Date, which alternative method must be consistent with any Alternative Reference Rate that has broad market support. If it has been determined that the Existing Reference Rate has been discontinued, but (i) the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate, and (ii) the Issuer is unable or unwilling to determine the Alternative Reference Rate, the Floating Rate of Interest for the Affected Interest Period will be determined by reference to the Floating Rate of Interest determined as at the last preceding Interest Determination Date (or, in the case of the first Interest Period for Fixed Rate/Floating Rate Notes, will be equal to the Fixed Rate of Interest).

The use of an Alternative Reference Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on such Notes if the Existing Reference Rate remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Reference Rate, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Reference Rate in a situation in which it is presented with a conflict of interest.

Any such consequences could have an adverse effect on the value and marketability of, and return on, such Notes.

More generally, any of the above changes or any other consequential changes to any "benchmark" on which interest payments under any Floating Rate Notes or Fixed Rate/Floating Rate Notes are based as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on such Notes.

***The Notes may not be held or transferred in an amount less than the minimum specified denomination***

In relation to any Series of Notes that has denominations consisting of a minimum denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum denomination.

In such a case a holder who, as a result of trading such amounts, holds a principal amount of less than the minimum denomination would need to purchase an additional amount of Notes such that it holds an

amount equal to at least the minimum denomination to be able to trade such Notes. Holders should be aware that Notes which have a denomination that is not an integral multiple of the minimum denomination may be illiquid and difficult to trade.

In addition, in the case of Registered Notes, a Holder who holds an amount which is less than the minimum denomination in its account with the Relevant Clearing System at the relevant time may not receive a Registered Definitive Certificate in respect of such holding (should Registered Definitive Certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a minimum denomination.

***A downgrade, suspension or withdrawal of the rating assigned by any rating agency to a Series of Notes could cause the liquidity or market value of the Notes to decline***

Any rating initially assigned to a Series of Notes may be lowered, suspended or withdrawn entirely by a rating agency if, in that rating agency's judgment, circumstances relating to the basis of the rating, such as adverse changes to UBS's business, so warrant. Any lowering, suspension or withdrawal of a rating by a rating agency could reduce the liquidity or market value of the Notes. A security rating is not a recommendation to buy, sell or hold securities.

***UBS Group AG's credit rating may not reflect all risks of an investment in the Notes and the Guarantee***

UBS Group AG's credit rating may not reflect the potential impact of all risks relating to the market values of the Notes and the Guarantee. However, real or anticipated changes in UBS Group AG's credit rating will generally affect the market values of the Notes and the Guarantee or may result in a downgrade in the ratings for the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

***The US federal income tax consequences of an investment in the Notes are uncertain. Holders are urged to read the more detailed discussion of the US federal income tax treatment of the Notes under "Taxation—United States"***

No statutory, judicial or administrative authority directly addresses the characterisation of the Notes or instruments similar to the Notes for US federal income tax purposes (including instruments with a Restructuring Issuer Substitution feature). As a result, significant aspects of the US tax consequences of an investment in the Notes are uncertain. In the opinion of the Issuer's US tax counsel Sullivan & Cromwell LLP, however, the Notes should be treated as debt instruments for US federal income tax purposes, and the Issuer and the Guarantor intend, absent a change in law, to so treat the Notes. If the Notes were treated as equity for US federal income tax purposes, it would significantly change the tax treatment of the Notes in ways that are potentially adverse to holders. See "*Taxation—United States—US Holders—Possible Alternative Treatment of the Notes*" below. Holders are urged to consult their tax advisers concerning the US federal income tax consequences of an investment in the Notes.

***Automatic Exchange of Information in Tax Matters***

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "MCAA"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "AEOI"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "AEOI Act") entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case

may be, Notes, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

***A new unsolicited credit rating assigned on the Notes could affect the market value and reduce the liquidity of the Notes***

Credit rating agencies that have not been engaged to rate Notes issued by the Issuer under the Programme may issue unsolicited credit ratings on such Notes at any time. If any non-hired rating agency assigns an unsolicited rating to any Notes, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. Furthermore, any such unsolicited rating may not be reflected in this Base Prospectus (as supplemented from time to time) or in any Pricing Supplement. Any requirement for a ratings confirmation pursuant to the terms of the transaction documents will not include a requirement to receive a confirmation from any unsolicited credit rating agency.

The assignment of a non-solicited rating by such a rating agency could adversely affect the market value and liquidity of the Notes.

**Risks relating to the Issuer**

***The Issuer is expected to lend all of the net proceeds of any Notes and any other securities that it may issue to other members of the Group, and it may do so from time to time on whatever terms the relevant Group member deems appropriate***

At least 85 per cent. of the net proceeds of any Notes issued will be loaned by the Issuer to, or otherwise invested (whether in the form of debt, equity or otherwise) in, other members of the Group. These Group members will use these funds for general corporate purposes, including providing funds to the subsidiaries of UBS Group AG from time to time. The Issuer may provide these funds to members of the Group, and such Group members may provide such funds so received to other members of the Group, from time to time in the form of senior or subordinated debt, in the form of equity contributions, or otherwise, including on terms that may constitute "internal loss absorbing capital" or additional tier 1 capital of the subsidiaries of UBS Group AG.

The initial investment to be made by the Issuer with the net proceeds of any Notes will be a loan or loans to one or more members of the Group as specified in the relevant Pricing Supplement. These loans may be repaid, amended, restated or transferred, with the result that the proceeds may be invested in any other form of loan to, purchase of equity of, or other investment in any other member of the Group. There will be no restrictions on the terms and conditions of any such loans, equity interests or investments, and the Issuer may change its investment of the proceeds of any Notes and of any other securities issued by it at any time. In particular, such loans or other investments may include contractual write-down and/or subordination provisions that may lead to such instruments being written down prior to the opening of, or being treated as subordinated in, restructuring or liquidation proceedings with respect to the relevant member of the Group in which the net proceeds were invested, by the Issuer or the Guarantor.

***The Issuer is expected to issue other series of securities to investors, holders will have no direct interest in the assets of the Issuer, and there will be no separate security or other protection to ensure that the proceeds of any Notes, or investments made with those proceeds, are available to satisfy the Issuer's obligations under any Notes***

UBS Group AG incorporated the Issuer to issue debt securities qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*) or as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) pursuant to applicable laws and regulations from time to time, and expects that it will cause the Issuer to issue both Notes and other securities to investors in the future. As a result, certain creditors of the Issuer will hold instruments that bear losses at a different stage than the Notes, which would mean that such creditors may have differing interests and incentives than Holders of Notes, in particular if the Issuer is in financial distress. In particular, such creditors may take legal measures to improve their position in an eventual insolvency of the Issuer, which measures, if successful, may adversely affect Holders of Notes.

All the proceeds of any Notes and these other securities will be commingled and the proceeds of any Notes will be invested as described under "Use of Proceeds" below. There will be no security interest in favour of the holders of any Notes over the investments made with the proceeds of any Notes, or other similar mechanism. The holders of any Notes will be general unsecured creditors of the Issuer and will have no direct interest in the assets of the Issuer, and no right to enforce or otherwise deal with the rights of the Issuer in respect of those assets.

***The Issuer will have no significant assets other than cash balances representing its contributed equity capital and/or loans to, or other investments in, other members of the Group***

The Issuer will have no significant assets other than cash balances representing its contributed equity capital and/or the loans (including accrued cash balances from interest payments thereunder) that it makes to, or the other investments (whether in the form of debt, equity or otherwise) that it may hold in, other members of the Group. Unless UBS Group AG elects to make additional payments or contributions to the Issuer, these assets will be the only assets available to the Issuer from which it may make payments under any Notes. In addition, pursuant to a keep-well arrangement between UBS Group AG and the Issuer (the "**Keep-Well Arrangement**"), UBS Group AG will undertake to provide the Issuer with sufficient funds to enable the Issuer to pay its expenses as well as any payment of principal, interest and other expenses in connection with debt securities qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*) or as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) pursuant to applicable laws and regulations issued by it. Such undertaking will cease to apply upon the occurrence of certain events, including upon the commencement of Restructuring Proceedings or liquidation proceedings with respect to UBS Group AG. This arrangement exists solely for the benefit of the Issuer and may not be enforced by any other party. UBS Group AG and the Issuer may modify or terminate this arrangement at any time. Please see "Description of the Issuer—Assets" and "Description of the Issuer—Liabilities" on page 86 of this Base Prospectus.

Furthermore, prior to or in connection with the opening of any Restructuring Proceedings with respect to the Issuer, the Swiss Resolution Authority may instruct the Board of Directors of the Issuer to write-off all or part of any of the loans it has made to, or the other investments it holds in, other members of the Group.

Moreover, if the borrower of the internal loan or issuer of any investment by the Issuer is a subsidiary that is subject to the bail-in or other statutory powers of a regulator, such regulator may be able to exercise its powers to fully or partially write-down and cancel, or delay payments by the subsidiary under, the internal loan or investment or convert the internal loan or investment into equity of the subsidiary. In such a case, the Issuer would still have payment obligations under any Notes, but would no longer receive some or all of the payments that would have otherwise been due to it, or would not receive some or all of the payments that are due to it in a timely manner, in connection with the internal loan or investment. If UBS Group AG is at such time unable or unwilling to provide the Issuer with the funds necessary to meet such obligations under any Notes, an Event of Default may occur, the entire aggregate principal amount of any Notes may be declared due and payable and holders effectively would be limited to seeking payment from UBS Group AG under the Guarantee.

For all these reasons, the potential investors in any Notes should not rely upon the creditworthiness of the Issuer in making a determination as to whether to invest in any Notes.

***If the Issuer experiences financial difficulties, the Swiss Resolution Authority will have the power to open Restructuring Proceedings or liquidation proceedings in respect of, and/or impose Protective Measures in relation to, the Issuer, which proceedings or measures may have a material adverse effect on the terms and market value of Notes and/or the ability of the Issuer to make payments thereunder***

The Issuer has been designated as a "relevant group company" (*wesentliche Gruppengesellschaft*) pursuant to art. 2<sup>bis</sup> paragraph 1 lit. b of the Swiss Banking Act. As a result, the Swiss Resolution Authority is able to exercise the same broad statutory powers with respect to the Issuer as it is able to exercise with respect to UBS Group AG, including ordering Protective Measures, opening Restructuring Proceedings (and exercising any Swiss Resolution Power in connection therewith), and instituting liquidation proceedings.

In its position paper on resolution of global systemically important banks of 7 August 2013, FINMA declared that its preferred resolution strategy for global systemically important financial groups consists

of central resolution proceedings led by the bank's "home" supervisory and resolution authorities and focuses on the top-level group company. If the Swiss Resolution Authority were to follow this so-called "single point of entry" resolution strategy, it would mean that it would open Guarantor Restructuring Proceedings prior to Restructuring Proceedings with respect to the Issuer and, in such case, UBS Group AG would become the Issuer under the Notes, if it is not already. However, despite its stated preferred resolution strategy, the Swiss Resolution Authority has the discretion to open Restructuring Proceedings with respect to the Issuer prior to (or concurrently with) Guarantor Restructuring Proceedings and it cannot be excluded that it would do so.

If Restructuring Proceedings are opened with respect to the Issuer prior to or concurrently with the opening of Guarantor Restructuring Proceedings or Bank Restructuring Proceedings, the Swiss Resolution Authority may be able to exercise its Swiss Resolution Powers to, among other things, fully or partially write-down and cancel the principal amount of, and/or accrued interest on, the Notes and/or convert the Notes into equity of the Issuer. In such a case, the amount of principal and/or interest so written down or converted will be considered to be due and payable for purposes of the Guarantee (so-called "Residual Guarantee Claims") and Holders would be limited to seeking payment from UBS Group AG for such Residual Guarantee Claims under the Guarantee. Furthermore, if the Swiss Resolution Authority were to open Guarantor Restructuring Proceedings after or concurrently with such write-down and/or conversion of Notes, it could exercise its Swiss Resolution Powers to fully or partially write-down or cancel such Residual Guarantee Claims and/or convert such Residual Guarantee Claims into equity of UBS Group AG in the same way as it would have been able to with respect to the Notes whose write-down and/or conversion resulted in such Residual Guarantee Claims in Guarantor Restructuring Proceedings had such Notes not been so written-down and/or converted. For information on how the Swiss Resolution Authority is able to exercise its Swiss Resolution Powers generally and with respect to the Notes, see *"Holders may lose some or all of their investment in the Notes, or suffer a significant delay in payment, if the Swiss Resolution Authority exercises its broad statutory powers allowing it to order Protective Measures, institute Restructuring Proceedings, exercise any Swiss Resolution Power or institute liquidation proceedings with respect to UBS Group AG", "The Swiss Resolution Authority has discretion as to when and if to open Guarantor and/or Bank Restructuring Proceedings, and the circumstances under which it would exercise its Swiss Resolution Power are uncertain" and "The Swiss Resolution Authority has substantial discretion as to which Swiss Resolution Powers it will exercise"*.

Furthermore, the Swiss Resolution Authority may order Protective Measures with respect to the Issuer if there is justified concern that the Issuer is over-indebted, has serious liquidity problems or, after the expiry of a deadline, applicable capital regulatory requirements are no longer fulfilled. Such Protective Measures may be ordered (i) outside and independent of any Restructuring Proceedings with respect to the Issuer or (ii) upon the opening of or during any Restructuring Proceedings with respect to the Issuer. Protective Measures may include, but are not limited to, certain measures that could require or result in a moratorium on, or the deferment of payment of principal and/or interest due under any Notes. The Issuer would have limited ability to challenge any such Protective Measures. Additionally, Holders would have no right under Swiss law or in Swiss courts to reject, seek the suspension of, or challenge the imposition of any such Protective Measures, including any Protective Measures that require or result in the deferment of payment of principal and/or interest under any Notes. If the Issuer fails to pay any principal and/or interest when due on any Notes as a result of any Protective Measure ordered with respect to the Issuer, such failure will constitute a default or an Event of Default, if it would otherwise constitute a default or an Event of Default under the applicable Terms and Conditions of the Notes. The Issuer will have limited ability to prevent any such default or Event of Default.

If the Swiss Resolution Authority orders a moratorium as a Protective Measure with respect to the Issuer, for so long as such Protective Measure is in effect the possibility to initiate or continue debt collection proceedings or court proceedings in Switzerland against the Issuer with respect to claims under any Notes will be suspended, even if the moratorium results in a default or Event of Default under the applicable Terms and Conditions of the Notes.

***The Issuer is a finance vehicle and is dependent upon other members of the Group to fulfil its obligations under any Notes***

As noted above, the Issuer is a finance vehicle established by UBS Group AG for the purpose of raising finance and on-lending the proceeds within the Group. The Issuer is therefore dependent upon other members of the Group paying interest on and repaying such internal loans in a timely fashion or, alternatively, on UBS Group AG paying such amounts under the Keep-Well Arrangement. Any failure



by members of the Group to pay interest on or repay such internal loans in a timely fashion or by UBS Group AG to pay such amounts under the Keep-Well Arrangement would have a material adverse effect on the ability of the Issuer to fulfil its obligations under the any Notes.

By virtue of its dependence on UBS, each of the risks described below that affect UBS Group AG will also indirectly affect the Issuer.

### **Risks relating to the Markets Generally**

#### ***Exchange rate risks and exchange controls***

Neither the Issuer nor the Guarantor has any control over factors that generally affect exchange rate risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and such exchange rate volatility with a variety of currencies may continue in the future.

The Issuer or, as the case may be, the Guarantor will pay principal and any interest due on any Notes in the Specified Currency. If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency, it may therefore bear certain exchange rate risks. These include: (i) the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (ii) the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Notes; (ii) the Investor's Currency equivalent value of the principal payment on the Notes; and (iii) the Investor's Currency-equivalent market value of the Notes. If any Notes are denominated in a currency other than the currency of the country in which the holder is resident, the holder is exposed to the risk of fluctuations in the exchange rate between the two aforementioned currencies.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of principal or interest on a Note. As a result, investors may receive less interest or principal than expected, or no interest or principal. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Note would not be available at such Note's maturity.

#### ***Market interest rates are subject to change***

Investment in fixed rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Notes.

#### ***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) any Notes are legal investments for it, (ii) any Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of any Notes under any applicable risk-based capital or similar rules.

#### ***Changes of law may adversely affect the rights of holders under any Notes***

The General Terms and Conditions are based on Swiss law in effect as at the date of this Base Prospectus and as completed, supplemented, modified or replaced by information in the relevant Pricing Supplement. No assurance can be given as to the impact of any possible judicial decision or change to Swiss law or administrative practice after the date of this Base Prospectus.

Changes in laws after the date hereof may affect the rights and effective remedies of holders under any Notes, as well as the market value of such Notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of any Notes, which may have an adverse effect on investment in such Notes.

In particular, as of the date of this Base Prospectus, the Swiss Resolution Authority may have the discretion to exercise its Swiss Resolution Powers during Guarantor Restructuring Proceedings with respect to the Notes, while preserving UBS Group AG's obligations in respect of excluded liabilities (as defined in the Total Loss-Absorbing Capacity standard for global systemically important banks published by the Financial Stability Board on 9 November 2015 (the "**FSB TLAC Standard**")) and/or other senior obligations. However, an amendment to the FBA was proposed by the Swiss Federal Council on 4 November 2015 (the "**Draft FBA Amendment**"), and, if such amendment were to enter into effect in its current form, claims under the Notes would rank junior in Guarantor Restructuring Proceedings to all senior obligations of UBS Group AG that do not constitute debt instruments for loss absorbency in the course of insolvency measures (*Forderungen zur Verlusttragung im Falle von Insolvenzmassnahmen*). This means that, if the Draft FBA Amendment were to enter into effect in its current form, in the case of Guarantor Restructuring Proceedings, the Notes (as debt instruments for loss absorbency in the course of insolvency measures (*Forderungen zur Verlusttragung im Falle von Insolvenzmassnahmen*)) would be subject to a write-down and/or conversion into equity of UBS Group AG before both UBS Group AG's excluded liabilities and any of its other senior obligations that do not constitute debt instruments for loss absorbency in the course of insolvency measures (*Forderungen zur Verlusttragung im Falle von Insolvenzmassnahmen*). Therefore, it would be possible that any restructuring plan approved by the Swiss Resolution Authority in connection with Guarantor Restructuring Proceedings could provide for a full or partial write-down of the Notes, while preserving UBS Group AG's obligations in respect of excluded liabilities and other senior obligations of UBS Group AG. However, it is not possible to predict whether or when such amendment will be enacted, what final form it will take and what effect they could have on holders of Notes or the Guarantor generally.

Furthermore, any change under the laws or regulations of Switzerland or the United States that results in the Issuer or the Guarantor paying Additional Amounts or any additional tax in respect of the Notes or the Guarantee, would trigger a Tax Event. In addition, the Notes are designed to qualify as both debt instruments for loss absorbency in the course of insolvency measures (*Forderungen zur Verlusttragung im Falle von Insolvenzmassnahmen*) under the Capital Adequacy Ordinance as revised on 1 July 2016 and external total loss-absorbing capacity ("**External TLAC**") under the FSB TLAC Standard. In the case of any Series of Notes subject to an Ineligibility Issuer Call, any change in the Capital Adequacy Ordinance and/or the FSB TLAC Standard after the Issue Date that would cause the Notes to cease to be eligible in their entirety to be treated as both (i) debt instruments for loss absorbency in the course of insolvency measures (*Schuldinstrumente zur Verlusttragung bei Insolvenzmassnahmen*) under the Capital Adequacy Ordinance and (ii) External TLAC under the FSB TLAC Standard would trigger an Ineligibility Event. There can be no assurance that any future amendment to the Capital Adequacy Ordinance and/or the FSB TLAC Standard or the manner in which they are implemented would not adversely affect the rights of holders of the Notes (including by giving rise to an Ineligibility Event), the price or value of an investment in the Notes and/or the Issuer's or the Guarantor's ability to satisfy its obligations in respect of the Notes. Upon the occurrence of a Tax Event or, in the case of Notes subject to an Ineligibility Event Issuer Call, an Ineligibility Event, the Issuer would have the option, subject to certain conditions, to redeem the Notes (in whole, but not in part).

Any regulatory or legislative changes may also adversely affect UBS's business (see "*—Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans*").

## **Risks relating to UBS**

Certain risks, including those described below, may affect UBS's ability to execute its strategy or its business activities, financial condition, results of operations and prospects. Because a broad-based international financial services firm such as UBS is inherently exposed to multiple risks, many of which become apparent only with the benefit of hindsight, risks of which UBS is not presently aware or which UBS currently does not consider to be material could also adversely affect UBS. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the potential magnitude of their consequences.

### **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.

Refer to the "*Current market climate and industry trends*" section of the Annual Report 2017 for more information.

### **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 centres. 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 optimise 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 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 Restructuring Proceedings 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: MiFID II and the associated Regulation ("**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 standardised 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.

Refer to the "*Regulation and supervision*" and "*Regulatory and legal developments*" sections of the Annual Report 2017 for more information.

***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.

Refer to the "*Regulatory and legal developments*" section of the Annual Report 2017 for more information.

#### ***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 programmes 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 realised 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 programmes, 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. Refer to the "*Our strategy*" section of the Annual Report 2017 for more information.

#### ***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.

Refer to "*Note 20 Provisions and contingent liabilities*" in the "*Consolidated financial statements*" section of the Annual Report 2017 for more information.

### **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, cyber attacks, 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 programmes to combat money laundering, terrorist financing or corruption, or any failure of UBS's programmes 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. Refer to the "*Risk measurement*" in the "*Risk management and control*" section of the Annual Report 2017 for more information on stress testing framework.

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, and to the "*Current market climate and industry trends*" section of the Annual Report 2017 for more information.

### ***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 programmes, 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 programmes 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 Group AG'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 recognised 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. Refer to the "*Critical accounting estimates and judgments*" section and "*Note 1 Summary of significant accounting policies*" in the "*Consolidated financial statements*" section of the Annual Report 2017 for more information.

***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 recognised 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 re-values 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 re-measuring its US DTAs and the timing for recognising deferred tax in UBS's income statement. Any change in the manner in which UBS re-measures 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.

***As UBS Group AG is a holding company, its operating results, financial condition and ability to pay dividends and other distributions and / or to pay its obligations in the future depend on funding, dividends and other distributions received directly or indirectly from its subsidiaries, which may be subject to restrictions***

UBS Group AG's ability to pay dividends and other distributions and to pay its obligations in the future will depend on the level of funding, dividends and other distributions, if any, received from UBS AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS Group 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 Group AG's direct and indirect subsidiaries, including UBS AG, 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 Group AG, or could impact their ability to repay any loans made to, or other investments in, such subsidiary by UBS Group 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 Group AG may need to meet its obligations or to pay dividends to shareholders. In addition, UBS Group 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.

UBS's capital instruments may contractually prevent UBS Group AG from proposing the distribution of dividends to shareholders, other than in the form of shares, if UBS does not pay interest on these instruments.

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

The credit ratings of UBS Group AG or its subsidiaries used for funding purposes could be lower than the ratings of the Group's operating subsidiaries, which may adversely affect the market value of the securities and other obligations of UBS Group AG or those subsidiaries on a standalone basis.



***If UBS experiences financial difficulties, FINMA has the power to open Restructuring Proceedings 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 over-indebted, 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 Restructuring Proceedings 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.

## OVERVIEW OF THE PROGRAMME

*The following information is only an overview of the key features of the Programme. To determine the terms and conditions that apply to any Tranche of Notes it is necessary to read the general terms and conditions (see "General Terms and Conditions") and the relevant Pricing Supplement, which will contain the specific terms and conditions of the relevant Tranche.*

<b>Issuer</b>	UBS Group Funding (Switzerland) AG
<b>Guarantor</b>	UBS Group AG (the " <b>Guarantor</b> ").
<b>Description</b>	Senior Debt Programme.
<b>Arranger</b>	UBS Limited
<b>Dealers</b>	UBS Limited UBS Securities LLC UBS AG And such other dealers that may be appointed from time to time by the Issuer either generally for the Programme or in relation to a particular Series or Tranche of Notes.
<b>Principal Paying Agent (in respect of Uncertificated Notes)</b>	UBS AG.
<b>Fiscal Agent (in respect of Registered Notes)</b>	Deutsche Bank Trust Company Americas.
<b>Registrar (in respect of Registered Notes)</b>	Deutsche Bank Trust Company Americas.
<b>Swiss Paying Agent</b>	UBS AG.
<b>Form of Notes</b>	<p>The Notes of each Series will be issued in either uncertificated form ("<b>Uncertificated Notes</b>"), without interest coupons attached, or registered form ("<b>Registered Notes</b>"), without interest coupons attached, as indicated in the relevant Pricing Supplement.</p> <p>Notes of each Tranche that are initially sold in the United States to "qualified institutional buyers" within the meaning of Rule 144A under the US Securities Act of 1933, as amended (the "<b>US Securities Act</b>") ("<b>Rule 144A Notes</b>"), will be issued as Registered Notes.</p> <p>Notes of each Tranche that are initially sold in an "offshore transaction" within the meaning of Regulation S under the US Securities Act ("<b>Regulation S Notes</b>") will be issued as Uncertificated Notes, unless any Notes of the same Series are Rule 144A Notes, in which case they will be issued as Registered Notes.</p> <p>The term "Notes" refers to Uncertificated Notes, Registered Notes and Notes in definitive or global form.</p>
<b>Uncertificated Notes</b>	Each Tranche of Uncertificated Notes will be issued in uncertificated form as uncertificated securities ( <i>Wertrechte</i> ) in accordance with 973c of the Swiss Code of Obligations, which will be created by the Issuer by means of a registration in its register of uncertificated securities ( <i>Wertrechtbuch</i> ). Such uncertificated securities will then be entered into the main register ( <i>Hauptregister</i> ) of SIX SIS Ltd (" <b>SIS</b> ") or any other intermediary in Switzerland recognised for such purposes by SIX

Swiss Exchange (SIS or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Uncertificated Notes will constitute intermediated securities (*Bucheffekten*) ("**Intermediated Securities**") within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

For so long as the Uncertificated Notes are Intermediated Securities, the Uncertificated Notes may only be transferred by the entry of the transferred Uncertificated Notes in a securities account of the transferee, as set out in the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) regarding the transfer of Intermediated Securities. The records of the Intermediary will determine the number of Uncertificated Notes held through each participant in that Intermediary.

Payments of principal, interest or any other amount in respect of Uncertificated Notes will be made through SIS (or any other relevant Intermediary) without any requirement for certification. None of the Issuer, the Guarantor and any Holder will at any time have the right to effect or demand the conversion of the Uncertificated Notes into, or the delivery of, a permanent global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

## **Registered Notes**

Registered Notes that are Regulation S Notes will initially be represented by one or more permanent registered global certificates (each, a "**Regulation S Registered Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"), *provided* that upon such Regulation S Registered Global Certificate's deposit, all beneficial interests in the Registered Notes represented thereby are maintained at or through Euroclear Bank SA/NV and/or Clearstream Banking S.A. until expiration of the Distribution Compliance Period. Registered Notes that are Rule 144A Notes will be initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Registered Global Certificate**" and, together with a Regulation S Registered Global Certificate, "**Registered Global Certificates**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co., as nominee for, DTC. The form of Regulation S Registered Global Certificate and the form of Rule 144A Registered Global Certificate are set out in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon request.

Definitive Notes in registered form ("**Registered Definitive Certificates**") will be issued, and interests in a Registered Global Certificate will be exchanged, in whole, but not in part, for Registered Definitive Certificates, if (and only if), (i) DTC or any other clearing system outside of Switzerland designated as Depository by the Issuer (DTC or such other clearing system, the "**Depository**") notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to some or all of the Registered Global Certificates of the relevant Series, or ceases to be a "clearing agency" registered under the US Securities and Exchange Act of 1934, as amended, or (ii) at any time the Depository is no longer eligible to act as such, or the Registered Notes of the relevant Series cease for any reason to be eligible for clearing through the Depository, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the

Depository or of such Registered Notes, as the case may be, from or behalf of the Depository, or (iii) issuance of the Registered Definitive Certificates is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Registered Notes of the relevant Series, or (iv) the Issuer provides its consent. Registered Definitive Certificates, if any, will be printed without interest coupons.

Title to Registered Notes will pass on transfer by assignment (*Zession*) and due registration in the Registered Note Register. All transfers of Registered Notes and entries on the Registered Note Register will be made subject to the provisions concerning transfers of Registered Notes set forth in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon written request. Transfers of Registered Notes, or of beneficial interests in Registered Notes represented by Registered Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Registered Global Certificate or Registered Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Registered Note or beneficial interests in Registered Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.

<b>Series and Tranches</b>	The Notes will be issued in series (each, a " <b>Series</b> "). Each Series may comprise one or more tranches of Notes issued on different issue dates (each, a " <b>Tranche</b> "). The Notes of each Tranche of the same Series will have identical terms in all respects, except for the issue date and the first date on which interest is paid.
<b>Issue Price</b>	Notes may be issued at par or at a discount or premium to par.
<b>Currencies</b>	Uncertificated Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer subject to compliance with all relevant legal and regulatory requirements. Registered Notes will be denominated in US Dollars.
<b>Specified Denominations</b>	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal, regulatory and central bank requirements.
<b>Maturity of Notes</b>	The Notes may be issued with any maturity subject to compliance with all relevant legal and regulatory requirements.
<b>Redemption</b>	Notes may be redeemed at par or at such other redemption amount above or below par as may be determined by the Issuer.
<b>Voluntary Issuer Substitution</b>	Subject to certain conditions, the Issuer may, without consent of the Holders, substitute UBS Group AG or any direct or indirect controlled subsidiary of UBS Group AG for the Issuer for all purposes under any Series of Notes at any time (a " <b>Voluntary Issuer Substitution</b> "), as more particularly described in Condition 16(a) ( <i>Voluntary Issuer Substitution</i> ). Upon the occurrence of a Voluntary Issuer Substitution pursuant to which UBS Group AG is substituted for the Issuer for all purposes under the Notes of such Series, the Guarantee will cease to exist (except with respect to any Residual Guarantee Claims (as defined herein)).
<b>Restructuring Issuer Substitution</b>	Upon the occurrence of a Restructuring Event, UBS Group AG will, without the consent of the Holders, automatically be substituted for the Issuer for all purposes under the Notes (such substitution, a

**"Restructuring Issuer Substitution"** and together with any Voluntary Issuer Substitution, an **"Issuer Substitution"**). Any such Restructuring Issuer Substitution will take place automatically, without requiring any action to be taken and without regard to the conditions that would be applicable to a Voluntary Issuer Substitution. Upon any Restructuring Issuer Substitution, (i) the Issuer will be released from all its obligations under the Notes, (ii) UBS Group AG will, without the need for the amendment of existing, or the entry into of additional documentation, be substituted for, assume all of the obligations of, and exercise every right and power of, the Issuer under the Notes with the same effect as if UBS Group AG had been named as the Issuer in the Notes, the General Terms and Conditions and the Pricing Supplement for each Series of Notes, and (iii) the Guarantee for each Series of Notes will cease to exist (except with respect to any Residual Guarantee Claims (as defined herein)).

A **"Restructuring Event"** means the opening of Restructuring Proceedings with respect to UBS AG (**"Bank Restructuring Proceedings"**) and/or the opening of Guarantor Restructuring Proceedings.

**Optional Early Redemption following a Tax Event**

Subject to the prior approval of FINMA, if such approval is then required under applicable Swiss laws and regulations and certain other conditions, if at any time after the relevant issue date, the Issuer in making any payments on any Series of Notes or (if a demand were to be made under the Guarantee) the Guarantor in making any payments under the Guarantee (i) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (ii) has paid, or will or would be required to pay, any additional Tax in respect of the Notes or the Guarantee, as applicable, in the case of each of clauses (i) and (ii), as a result of any changes in, or amendment to, the laws or regulations of Switzerland, and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing by taking measures reasonably available to it, the Issuer may elect, in its sole discretion, to redeem the Notes of such Series, in whole but not in part, at their aggregate principal amount, together with any accrued and unpaid interest thereon to (but excluding) the relevant Early Redemption Date, as more particularly described in Condition 7(b) (*Early redemption due to a Tax Event*) and Condition 7(f) (*Conditions for early redemption*).

**Optional Early Redemption upon exercise of Issuer Call**

If specified in the relevant Pricing Supplement as being applicable to a Series of Notes and subject to the prior approval of FINMA, if such approval is then required under applicable Swiss laws and regulations and certain other conditions, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on any Optional Redemption Date at the Optional Redemption Amount, together with any accrued and unpaid interest thereon to (but excluding) (or, in the case of Notes denominated in Swiss francs, to and including) the relevant Optional Redemption Date, as more particularly described in Condition 7(c) (*Early redemption at the option of the Issuer (Issuer Call)*) and Condition 7(f) (*Conditions for early redemption*).

**Early Redemption due to an Ineligibility Event**

If specified in the relevant Pricing Supplement as being applicable to a Series of Notes and subject to the prior approval of FINMA, if such approval is then required under applicable Swiss laws and regulations and certain other conditions, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on any Ineligibility Event Redemption Date at the Ineligibility Event Redemption Amount, together with any accrued and unpaid interest thereon to (but excluding) (or, in the case of Notes denominated in Swiss francs, to and including) the relevant Ineligibility Event Redemption Date, as

more particularly described in Condition 7(e) (*Early redemption due to an Ineligibility Event*) and Condition 7(f) (*Conditions for early redemption*).

### **Early Redemption upon exercise of a Make-Whole Redemption**

If specified in the relevant Pricing Supplement as being applicable to a Series of Notes and subject to the prior approval of FINMA, if such approval is then required under applicable Swiss laws and regulations and certain other conditions, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on any Make-Whole Redemption Date at the Make-Whole Redemption Amount, together with any accrued and unpaid interest thereon to (but excluding) (or, in the case of Notes denominated in Swiss francs, to and including) the relevant Make-Whole Redemption Date, as more particularly described in Condition 7(d) (*Early redemption at the option of the Issuer (Make-Whole Redemption)*) and Condition 7(f) (*Conditions for early redemption*).

### **Events of Default**

With respect to any Series of Notes, it will be an Event of Default if:

- the Issuer fails to pay the principal amount of, or any interest on, any Note of such Series if and when the same becomes due and payable under the Notes, and such failure continues unremedied by the Issuer or the Guarantor for a period of 30 days; or
- the Issuer or the Guarantor fails to observe or perform any other covenant, condition, or agreement contained in the General Terms and Conditions or the Guarantee, respectively, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or
- certain events of bankruptcy, insolvency or insolvent reorganisation occur or are taken with respect to the Issuer or the Guarantor; or
- unless the Guarantor has been substituted for the Issuer as principal debtor under such Notes pursuant to an Issuer Substitution or the Issuer and the Guarantor have merged, the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect.

*provided, however, that* none of: (i) a Guarantor Restructuring Event; (ii) the exercise of any Swiss Resolution Power with respect to UBS Group AG that requires or results in any write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of, the principal of, and/or accrued interest on, the Notes; (iii) the ordering of any Restructuring Protective Measures that require or result in the deferment of payment of principal and/or interest in respect of the Notes; and (iv) any consequences resulting from any of the foregoing will constitute a default or an Event of Default. For the avoidance of doubt, any consequences resulting from any Protective Measures ordered by the Swiss Resolution Authority with respect to UBS Group AG that are ordered outside of and independently of any Guarantor Restructuring Proceedings that would otherwise constitute a default or an Event of Default will constitute a default or an Event of Default, as applicable.

If an Event of Default has occurred and is continuing, the Holders of at least 25 per cent. in aggregate principal amount of the outstanding Notes of the relevant Series may declare all such Notes to be immediately due and payable, as more particularly described in

Condition 12 (*Events of Default*).

<b>Interest</b>	Notes will bear interest. Interest may be at a fixed or floating rate and may vary during the lifetime of the relevant Series.
<b>Fixed Rate Notes</b>	Interest on Fixed Rate Notes will be payable in arrear in accordance with the terms specified in the relevant Pricing Supplement and at maturity.
<b>Fixed Rate/Fixed Rate Notes</b>	Fixed Rate/Fixed Rate Notes will initially bear interest at the fixed rate specified in the applicable Pricing Supplement until but excluding (or, in the case of Swiss Franc Notes, until and including) the Reset Date (as specified in the relevant Pricing Supplement). Thereafter, the interest rate applicable to the Fixed Rate/Fixed Rate Notes will be reset to a new fixed rate, which rate will be determined by the Issuer on the Reset Determination Date (as specified in the relevant Pricing Supplement) by reference to the reference rate specified in the relevant Pricing Supplement as adjusted for the applicable margin. Interest on Fixed Rate/Fixed Rate Notes will be payable in arrear in accordance with the terms specified in the relevant Pricing Supplement and at maturity.
<b>Floating Rate Notes</b>	Floating Rate Notes will bear interest by reference to any rate as may be specified in the relevant Pricing Supplement as adjusted for any applicable margin. Interest on Floating Rate Notes will be payable in arrear in accordance with the terms specified in the relevant Pricing Supplement and at maturity. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
<b>Fixed Rate/Floating Rate Notes</b>	Fixed Rate/Floating Rate Notes will initially bear interest at the fixed rate specified in the relevant Pricing Supplement until but excluding (or, in the case of Swiss Franc Notes, until and including) the Floating Rate Commencement Date (as specified in the relevant Pricing Supplement). Thereafter, the interest rate applicable to the Fixed Rate/Floating Rate Notes will convert to a floating rate, which rate will be determined for each interest period on the applicable interest determination date by reference to the reference rate specified in the relevant Pricing Supplement as adjusted for any applicable margin, and may be subject to maximum interest rate, a minimum interest rate or both. Interest on Fixed Rate/Floating Rate Notes will be payable in arrear in accordance with the terms specified in the relevant Pricing Supplement and at maturity.
<b>Other Notes</b>	Subject to compliance with all relevant legal and regulatory requirements, Notes may be issued with such terms and conditions as may be determined by the Issuer. The terms and conditions of these Notes will be set out in the relevant Pricing Supplement.
<b>Status</b>	The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank <i>pari passu</i> and without any preference among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer, except for such obligations that are preferred in accordance with applicable law at the relevant time.
<b>Guarantee</b>	Pursuant to and in accordance with the terms and conditions of the guarantee in relation to each Series of Notes, and governed by Swiss law (with respect to such Series, the " <b>Guarantee</b> "), the Guarantor will undertake for the benefit of the Holders of such Notes irrevocably and unconditionally to guarantee the payment of principal

and interest and any other amounts due under such Notes. However, upon the occurrence of an Issuer Substitution pursuant to which the Guarantor is substituted for the Issuer for all purposes under the relevant Notes, the Guarantee will cease to exist (except with respect to any Residual Guarantee Claims) and all rights of any Holder for payments of amounts under or in respect of the Guarantee will become null and void (except with respect to any Residual Guarantee Claims), irrespective of whether such amounts may have arisen or become due and payable prior to the date of such Issuer Substitution.

In respect of any Uncertificated Notes, if the Issuer fails to pay any amount under the Notes as and when the same becomes due pursuant to the General Terms and Conditions, the Guarantor will pay (or cause to be paid) to the Principal Paying Agent on behalf of the Holders on first demand, irrespective of the validity of the Notes, waiving all rights of objection and defence arising from the Notes and without requiring any Holder first to take steps against the Issuer or any other person, the relevant amount, promptly upon receipt of the written request for payment from one or more Holders, together with a confirmation in writing from such Holder(s) that the Issuer has not met its payment obligations owed to such Holder(s) under the Notes on the relevant due date and such amount remained unpaid at the end of the three-day period following such due date.

In respect of any Registered Notes, if the Issuer fails to pay any amount under any Notes as and when the same becomes due pursuant to the relevant General Terms and Conditions, the Guarantor will pay (or cause to be paid) to the Holders on first demand, irrespective of the validity of such Notes, waiving all rights of objection and defence arising from such Notes and without requiring any Holder first to take steps against the Issuer or any other person, the relevant amount, promptly upon receipt of the written request for payment of such amount (x) as long as no Registered Definitive Certificates have been issued, from the Holder, or from the Fiscal Agent on behalf of the Holder, and (y) if Registered Definitive Certificates have been issued, from one or more Holders, or from the Fiscal Agent on behalf of one or more Holders, and in each case, together with a confirmation in writing from such Holder(s) or the Fiscal Agent, as the case may be, that the Issuer has not met its payment obligations owed to such Holder(s) under such Notes on the relevant due date in the amount called under the Guarantee and such amount remained unpaid at the end of the three-day period following such due date. The Fiscal Agent will only deliver such a notice to the Guarantor on behalf of the Holder or relevant Holders upon receipt of a written request from (i) a DTC Participant on behalf of any beneficial owner or (ii) any Holder of a Registered Definitive Certificate, in either case, using the form that will be provided for such purpose by the Fiscal Agent upon request.

The obligations of the Guarantor under the Guarantee will constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such obligations that are preferred in accordance with applicable law at the relevant time.

## **ERISA**

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to ERISA will not be permitted to purchase or hold Notes (or any interest therein) offered under this Base Prospectus unless it makes certain deemed representations. See "ERISA Matters" below.



<b>Listing</b>	Each Series may be admitted to trading and listing on the SIX Swiss Exchange or may be unlisted. Notes may also be admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system, which does not require a prospectus to be prepared under the Prospectus Directive.
<b>Governing Law</b>	The Notes, the Guarantees and the Paying Agency Agreement for Uncertificated Notes will be governed by Swiss law. The Senior Debt Fiscal Agency Agreement for Registered Notes will be governed by New York law.
<b>Selling and Transfer Restrictions</b>	<p>The Notes are subject to restrictions on their offer, sale, delivery and transfer both generally and specifically in the United States of America, the United Kingdom, Republic of Italy, Japan, Singapore, Hong Kong, France the PRC and the EEA. These restrictions are described under "<i>Selling Restrictions</i>".</p> <p>Further restrictions may be required in connection with particular Series or Tranches of Notes, and, if so, will be specified in the documentation relating to the relevant Series or Tranche.</p>
<b>Clearing Systems</b>	DTC in respect of Registered Notes and SIS in respect of Uncertificated Notes.
<b>Rule 144A</b>	Offers and sales in accordance with Rule 144A under the US Securities Act will be permitted, if specified in the relevant Pricing Supplement, subject to compliance with all relevant, legal and regulatory requirements of the United States of America.
<b>Regulation S</b>	Offers and sales in accordance with Regulation S under the US Securities Act will be permitted, subject to compliance with all relevant, legal and regulatory requirements of the United States of America.

## FORM OF THE NOTES

The Notes of each Series will be issued in either uncertificated form ("**Uncertificated Notes**"), or registered form ("**Registered Notes**"), without interest coupons attached, as indicated in the relevant Pricing Supplement. Uncertificated Notes have the benefit of a paying agency agreement dated as of 10 March 2017 (as may be amended, supplemented or otherwise modified from time to time, the "**Paying Agency Agreement**"), entered into among the Issuer, the Guarantor, UBS AG, as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor Principal Paying Agent appointed in accordance with the terms of the Paying Agency Agreement), and calculation agent, and the other agents from time to time party thereto. Registered Notes have the benefit of a senior debt fiscal agency agreement dated as of 13 March 2018 (as may be amended, supplemented or otherwise modified from time to time, the "**Senior Debt Fiscal Agency Agreement**"), entered into among the Issuer, the Guarantor, Deutsche Bank Trust Company Americas, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor Fiscal Agent appointed in accordance with the terms of the Senior Debt Fiscal Agency Agreement), paying agent, registrar (the "**Registrar**", which expression includes any successor Registrar appointed in accordance with the terms of the Senior Debt Fiscal Agency Agreement), and calculation agent, UBS AG, as Swiss paying agent, and the other agents from time to time party thereto. Any notes in registered form issued under the Programme prior to the date hereof under the 10 March 2017 base prospectus will continue to have the benefit of the fiscal agency agreement dated as of 10 March 2017 (as may be amended, supplemented or otherwise modified from time to time).

Notes of each Tranche that are initially sold in the United States to "qualified institutional buyers" within the meaning of Rule 144A under the US Securities Act of 1933, as amended (the "**US Securities Act**") ("**Rule 144A Notes**"), will be issued as Registered Notes. Notes of each Tranche that are initially sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act ("**Regulation S Notes**") will be issued as Uncertificated Notes, unless any Notes of the same Series are Rule 144A Notes, in which case they will be issued as Registered Notes.

### Uncertificated Notes

Each Tranche of Uncertificated Notes will be issued in uncertificated form as uncertificated securities (*Wertrechte*) in accordance with 973c of the Swiss Code of Obligations, which will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtbuch*). Such uncertificated securities will then be entered into the main register (*Hauptregister*) of SIX SIS Ltd ("**SIS**") or any other intermediary in Switzerland recognised for such purposes by SIX Swiss Exchange (SIS or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Uncertificated Notes will constitute intermediated securities (*Bucheffekten*) ("**Intermediated Securities**") within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

For so long as the Uncertificated Notes are Intermediated Securities, the Uncertificated Notes may only be transferred by the entry of the transferred Uncertificated Notes in a securities account of the transferee, as set out in the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) regarding the transfer of Intermediated Securities. The records of the Intermediary will determine the number of Uncertificated Notes held through each participant in that Intermediary.

Payments of principal, interest or any other amount in respect of Uncertificated Notes will be made through SIS (or any other relevant Intermediary) without any requirement for certification.

None of the Issuer, the Guarantor and any Holder will at any time have the right to effect or demand the conversion of the Uncertificated Notes into, or the delivery of, a permanent global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

### Registered Notes

Registered Notes that are Regulation S Notes will initially be represented by one or more permanent registered global certificates (each, a "**Regulation S Registered Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, The Depository Trust Company ("**DTC**"), *provided* that upon such Regulation S Registered Global Certificate's deposit, all beneficial interests in the Registered Notes represented thereby are

maintained at or through Euroclear and/or Clearstream, Luxembourg until expiration of the Distribution Compliance Period. Registered Notes that are Rule 144A Notes will be initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Registered Global Certificate**" and, together with a Regulation S Registered Global Certificate, "**Registered Global Certificates**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co., as nominee for, DTC. The form of Regulation S Registered Global Certificate and the form of Rule 144A Registered Global Certificate are set out in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon request.

Definitive Notes in registered form ("**Registered Definitive Certificates**") will be issued, and interests in a Registered Global Certificate will be exchanged, in whole, but not in part, for Registered Definitive Certificates, if (and only if), (i) DTC or any other clearing system outside of Switzerland designated as Depositary by the Issuer (DTC or such other clearing system, the "**Depositary**") notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to some or all of the Registered Global Certificates of the relevant Series, or ceases to be a "clearing agency" registered under the US Securities and Exchange Act of 1934, as amended, or (ii) at any time the Depositary is no longer eligible to act as such, or the Registered Notes of the relevant Series cease for any reason to be eligible for clearing through the Depositary, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility of the Depositary or of such Registered Notes, as the case may be, from or behalf of the Depositary, or (iii) issuance of the Registered Definitive Certificates is required by Swiss or other applicable laws or regulations in connection with the enforcement of rights under the Registered Notes of the relevant Series, or (iv) the Issuer provides its consent. Registered Definitive Certificates, if any, will be printed without interest coupons.

The form of Registered Definitive Certificate that will be issued in exchange for a beneficial interest in a Registered Note represented by a Rule 144A Registered Global Certificate and the form of Registered Definitive Certificate that will be issued in exchange for a beneficial interest in a Registered Note represented by a Regulation S Registered Global Certificate are set out in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon request.

Title to Registered Notes will pass on transfer by assignment (*Zession*) and due registration in the Register. All transfers of Registered Notes and entries on the Register will be made subject to the provisions concerning transfers of Registered Notes set forth in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon written request. Transfers of Registered Notes, or of beneficial interests in Registered Notes represented by Registered Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Registered Global Certificate or Registered Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Registered Note or beneficial interests in Registered Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.

Payments of principal, interest or any other amount in respect of Registered Notes will be made to the person shown on the Register as the registered holder of the relevant Registered Global Certificate, or Registered Definitive Certificate, as applicable, at close of business on the relevant record date.

## GENERAL TERMS AND CONDITIONS OF THE NOTES

UBS Group Funding (Switzerland) AG (the "**Issuer**") has established a senior debt programme (the "**Programme**") under which it will issue notes (the "**Notes**") that are guaranteed by UBS Group AG (the "**Guarantor**"). The Notes will be issued in series (each, a "**Series**"). Each Series may comprise one or more tranches of Notes issued on different issue dates (each, a "**Tranche**"). The Notes of each Tranche of the same Series will have identical terms in all respects, except for the issue date and the first date on which interest will be paid.

In connection with the Programme, the Issuer and the Guarantor have entered into (i) the senior debt fiscal agency agreement for Registered Notes (as defined in the General Terms and Conditions (as defined below)) issued on or after the date hereof under the Programme dated as of 13 March 2018 (as may be amended, supplemented or otherwise modified from time to time, the "**Senior Debt Fiscal Agency Agreement**"), with Deutsche Bank Trust Company Americas, as fiscal agent (the "**Fiscal Agent**", which expression includes any successor Fiscal Agent appointed in accordance with the terms of the Senior Debt Fiscal Agency Agreement), paying agent, registrar (the "**Registrar**", which expression includes any successor Registrar appointed in accordance with the terms of the Senior Debt Fiscal Agency Agreement), and calculation agent, UBS AG, as Swiss paying agent, and the other agents from time to time party thereto, and (ii) the paying agency agreement for Uncertificated Notes (as defined in the General Terms and Conditions) issued on or after the date hereof under the Programme dated as of 10 March 2017 (as may be amended, supplemented or otherwise modified from time to time, the "**Paying Agency Agreement**"), with UBS AG, as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor Principal Paying Agent appointed in accordance with the terms of the Paying Agency Agreement), and calculation agent, and the other agents from time to time party thereto.

This Base Prospectus contains a set of general terms and conditions of the Notes (the "**General Terms and Conditions**"). The General Terms and Conditions do not reflect the terms and conditions of any specific Tranche of Notes. In connection with each Tranche of Notes, the Issuer will prepare a pricing supplement (the "**Pricing Supplement**"), which will contain the information that specifically relates to that Tranche of Notes. In relation to each Tranche of Notes, the Pricing Supplement will contain provisions that complete, and may contain provisions that supplement, modify or replace all or any part of, the General Terms and Conditions for the purpose of that Tranche alone. In the case of Registered Notes, the relevant Pricing Supplement will be attached to each Registered Global Certificate and Registered Definitive Certificate, if any (each defined in the General Terms and Conditions). A copy of the Pricing Supplement for each Tranche of Notes is available from the Issuer at UBS AG, Zurich, Swiss Prospectus, Switzerland (voicemail: +41 44 239 47 03; fax: +41 44 239 69 14; email: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)). In the case of Notes listed on the SIX Swiss Exchange, a copy of the relevant Pricing Supplement will be delivered to the SIX Swiss Exchange.

To determine the terms and conditions that apply to a particular Tranche of Notes, it is necessary to (i) refer to the General Terms and Conditions and (ii) consider the extent to which the General Terms and Conditions have been completed, supplemented, modified or replaced by the information contained in the relevant Pricing Supplement. In relation to the terms and conditions of any Tranche of Notes, to the extent that there is any inconsistency between the General Terms and Conditions and the terms and conditions that appear in the relevant Pricing Supplement, the terms and conditions that appear in such Pricing Supplement will prevail.

## GENERAL TERMS AND CONDITIONS

*The terms and conditions that are set out below are the General Terms and Conditions of the Notes. The General Terms and Conditions of the Notes will be completed, and, whether or not specifically indicated below, may be supplemented, amended or replaced, by the relevant Pricing Supplement in respect of the relevant Tranche of Notes.*

### 1. DEFINITIONS

"**Additional Amounts**" has the meaning assigned to such term in subclause (b) of Condition 9 (*Taxation*).

"**Affected Interest Period**" has the meaning assigned to such term in subclause (d)(ii)(A) of Condition 6 (*Interest*).

"**Agency Agreement**" means (i) in the case of Uncertificated Notes, the Paying Agency Agreement, and (ii) in the case of Registered Notes, the Senior Debt Fiscal Agency Agreement.

"**Agent Insolvency Event**" has the meaning assigned to such term in subclause (c)(ii) of Condition 8 (*Payments; Agents*).

"**Agents**" means (i) in the case of Uncertificated Notes, the Principal Paying Agent, the Calculation Agent and any other agent from time to time appointed pursuant to the terms of the Paying Agency Agreement, and (ii) in the case of Registered Notes, the Fiscal Agent, the Registrar, the Calculation Agent and any other agent from time to time appointed pursuant to the terms of the Senior Debt Fiscal Agency Agreement.

"**Alternative Reference Rate**" has the meaning assigned to such term in subclause (d)(ii)(A) of Condition 6 (*Interest*).

"**Alternative Relevant Screen Page**" has the meaning assigned to such term in subclause (d)(ii)(E)(1) of Condition 6 (*Interest*).

"**Alternative Relevant Time**" has the meaning assigned to such term in subclause (d)(ii)(E)(1) of Condition 6 (*Interest*).

"**Authorised Signatories**" means any two authorised officers of the Issuer signing jointly.

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

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

"**BBSW**" means, in respect of any specified maturity, the interest rate benchmark known as the Bank Bill Swap Reference Rate that is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Australian Financial Markets Association (or any other Person that takes over the administration of that rate) based on the average rate for Bills (as defined in the Bills of Exchange Act of 1909 of Australia, as amended) for such maturity provided by a panel of contributor banks.

"**Broken Amount**" means, with respect to any Interest Payment Date (in the case of Fixed Rate/Fixed Rate Notes and Fixed Rate/Floating Rate Notes, falling on or prior to the Reset Date and the Floating Rate Commencement Date, respectively), the broken amount specified as payable on such Interest Payment Date in the relevant Pricing Supplement.

"**Business Day**" means a day (other than a Saturday or a Sunday) on which (i) commercial banks and foreign exchange markets settle payments in the currency or currencies specified in the relevant Pricing Supplement (or, if no currency or currencies is specified in the Business Days section of the relevant Pricing Supplement, settle payments generally) and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in the financial centres referred to in the Business Days section of the relevant Pricing

Supplement, and (ii) in the case of Notes denominated in euro, the TARGET2 System is open for settlement of payments in euro.

**"Business Day Convention"** means, with respect to any Interest Payment Date (x) for which there is no numerically corresponding day in the calendar month in which such Interest Payment Date should occur or (y) that would otherwise fall on a day that is not a Business Day, if:

- (a) **"Following Business Day Convention"** is specified in the relevant Pricing Supplement, that such Interest Payment Date will be postponed to the first following Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** is specified in the relevant Pricing Supplement, that such Interest Payment Date will be postponed to the first following Business Day unless that Business Day falls in the next calendar month in which case such Interest Payment Date will instead be brought forward to the last preceding Business Day;
- (c) **"Preceding Business Day Convention"** is specified in the relevant Pricing Supplement, that such Interest Payment Date will be brought forward to the last preceding Business Day;
- (d) **"FRN Convention", "Floating Rate Convention" or "Eurodollar Convention"** is specified in the relevant Pricing Supplement and Specified Periods are specified in the relevant Pricing Supplement, that
  - (i) in the case of clause (x) above, such Interest Payment Date will be the last Business Day in that calendar month;
  - (ii) in the case of clause (y) above, such Interest Payment Date will be postponed to the first following Business Day unless that Business Day falls in the next calendar month, in which case it will be brought forward to the last preceding Business Day; and
  - (iii) if the last Interest Payment Date preceding such Interest Payment Date (or, if such Interest Payment Date is the first Interest Payment Date, if the Interest Commencement Date) occurred on the last day in a calendar month that was a Business Day, then such Interest Payment Date and all subsequent Interest Payment Dates will be the last day that is a Business Day in the calendar month that is the specified number of months or other period after the calendar month in which the preceding such Interest Payment Date (or Interest Commencement Date, as applicable) occurred; and
- (e) any other Business Day Convention is specified in the relevant Pricing Supplement, that such Interest Payment Date will be adjusted in accordance with such Business Day Convention as described in the relevant Pricing Supplement.

**"Calculation Agent"** means (i) in the case of Uncertificated Notes that are Floating Rate Notes or Fixed Rate/Floating Rate Notes, UBS AG in its capacity as calculation agent for Uncertificated Notes under the Paying Agency Agreement, and includes any successor Calculation Agent appointed in accordance with the Paying Agency Agreement, and (ii) in the case of Registered Notes that are Floating Rate Notes or Fixed Rate/Floating Rate Notes, Deutsche Bank Trust Company Americas in its capacity as calculation agent for Registered Notes under the Senior Debt Fiscal Agency Agreement, and includes any successor Calculation Agent appointed in accordance with the Senior Debt Fiscal Agency Agreement.

**"Calculation Amount"** means the calculation amount specified in the relevant Pricing Supplement.

**"Calculation Period"** has the meaning assigned to such term in the definition of the term "Day Count Fraction".

"**Capital Adequacy Ordinance**" means the Ordinance concerning Capital Adequacy and Risk Diversification for Banks and Securities Dealers, which entered into force on 1 January 2013, as amended from time to time, or any successor Swiss law or regulation.

"**CDOR**" means, in respect of any specified maturity, the interest rate benchmark known as the Canadian Dealer Offered Rate that is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Investment Dealers Association (or any other Person that takes over the administration of that rate) based on the average rate for Canadian dollar bankers acceptances for such maturity provided by a panel of contributor banks.

"**Clearstream, Luxembourg**" means Clearstream Banking, S.A.

"**Code**" has the meaning assigned to such term in subclause (c)(iii) of Condition 9 (*Taxation*).

"**Condition**" means one of the Terms and Conditions of the Notes.

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

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest for any period of time (the "**Calculation Period**"),

- (a) if "**Actual/Actual (ICMA)**" is specified in the relevant Pricing Supplement:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (x) the actual number of days in such Regular Period and (y) the number of Regular Periods in any year;
- (b) if "**Actual/365**" or "**Actual/Actual**" is specified in the relevant Pricing Supplement, the actual number of days in such Calculation Period divided by 365 (or, if any portion of such Calculation Period falls in a leap year, the sum of (x) the actual number of days in that portion of such Calculation Period falling in a leap year divided by 366 and (y) the actual number of days in that portion of such Calculation Period falling in a non-leap year divided by 365);
- (c) if "**Actual/360**" is specified in the relevant Pricing Supplement, the actual number of days in such Calculation Period divided by 360;
- (d) if "**30/360**" is specified in the relevant Pricing Supplement, the number of days in such Calculation Period from and including (or, in the case of Swiss Franc Notes, from but excluding) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding (or, in the case of Swiss Franc Notes, to and including) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and
- (e) if "**Actual/365 (Fixed)**" is specified in the relevant Pricing Supplement, the actual number of days in such Calculation Period divided by 365.

**"Depository"** means DTC or any other Relevant Clearing System outside of Switzerland designated as Depository by the Issuer; *provided, however*, that, irrespective of the number of Regulation S Registered Global Certificates and/or Rule 144A Registered Global Certificates, as the case may be, outstanding, there will be no more than one Depository for the Notes at any time.

**"Distribution Compliance Period"** means the 40-day period commencing on (and including) the later of (i) the day on which the Notes are first offered to Persons other than distributors (as defined in Regulation S under the US Securities Act), and (ii) the day on which the closing of the offering of the Notes occurs.

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

**"Early Redemption Date"** has the meaning assigned to such term in subclause (f)(i) of Condition 7 (*Redemption and Purchase*).

**"Early Redemption Notice"** has the meaning assigned to such term in subclause (f)(i) of Condition 7 (*Redemption and Purchase*).

**"EURIBOR"** means, in respect of any specified maturity, the interest rate benchmark known as the Eurozone Interbank Offered Rate that is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any other Person that takes over the administration of that rate) based on estimated euro interbank term deposit rates for such maturity that are provided by a panel of contributor banks.

**"euro"** means the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

**"Euroclear"** means Euroclear Bank SA/NV.

**"Event of Default"** has the meaning assigned to such term in Condition 12 (*Events of Default*).

**"Existing Reference Rate"** has the meaning assigned to such term in subclause (d)(ii) of Condition 6 (*Interest*).

**"External TLAC"** means the instruments eligible for external TLAC according to the core features of Sections 7 to 14 of the FSB TLAC Term Sheet or any corresponding provisions of any other FSB TLAC Standard.

**"FEDFUNDS1 Page"** has the meaning assigned to such term in the definition of "US Federal Funds Rate".

**"Final Redemption Amount"** means the final redemption amount specified in the relevant Pricing Supplement.

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

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

**"Fixed Coupon Amount"** means the fixed coupon amount specified in the relevant Pricing Supplement.

**"Fixed Rate of Interest"** means (i) in the case of Fixed Rate Notes and Fixed Rate/Floating Rate Notes, the fixed rate of interest specified in the relevant Pricing Supplement, and (ii) in the case of Fixed Rate/Fixed Rate Notes, (a) with respect to the period from and including (or, in the case of Swiss Franc Notes, from but excluding) the Interest Commencement Date to but excluding (or, in the case of Swiss Franc Notes, to and including) the Reset Date, the Initial Rate of Interest,



and (b) with respect to the Reset Period, the sum of the Reset Margin and the Reset Reference Rate.

**"Fixed Rate/Fixed Rate Notes"** means Notes with respect to which the interest basis specified in the relevant Pricing Supplement is "Fixed Rate/Fixed Rate".

**"Fixed Rate/Floating Rate Notes"** means Notes with respect to which the interest basis specified in the relevant Pricing Supplement is "Fixed Rate/Floating Rate".

**"Fixed Rate Notes"** means Notes with respect to which the interest basis specified in the relevant Pricing Supplement is "Fixed Rate".

**"Fixed Rate Period"** means, in respect of Fixed Rate/Floating Rate Notes, the period from and including (or, in the case of Swiss Franc Notes, from but excluding) the Interest Commencement Date to but excluding (or, in the case of Swiss Franc Notes, to and including) the Floating Rate Commencement Date.

**"Floating Rate Commencement Date"** means, in respect of Fixed Rate/Floating Rate Notes, the Interest Payment Date specified as such in the relevant Pricing Terms

**"Floating Rate of Interest"** has the meaning assigned to such term in subclause (d)(i) of Condition 6 (*Interest*).

**"Floating Rate Notes"** means Notes with respect to which the interest basis specified in the relevant Pricing Supplement is "Floating Rate".

**"Floating Rate Period"** means, in respect of Fixed Rate/Floating Rate Notes, the period from and including (or, in the case of Swiss Franc Notes, from but excluding) the Floating Rate Commencement Date to but excluding (or, in the case of Swiss Franc Notes, to and including) the Maturity Date.

**"FSB TLAC Principles"** means the Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution of 9 November 2015, published by the Financial Stability Board.

**"FSB TLAC Standard"** means the FSB TLAC Principles and the FSB TLAC Term Sheet and any successor document or documents published by the Financial Stability Board that sets standards for External TLAC.

**"FSB TLAC Term Sheet"** means the Total Loss-absorbing Capacity (TLAC) Term Sheet of 9 November 2015, published by the Financial Stability Board.

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

**"Guarantee"** has the meaning assigned to such term in clause (a) of Condition 5 (*Guarantee*).

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

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

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

**"HIBOR"** means, in respect of any specified maturity, the interest rate benchmark known as the Hong Kong Inter Bank Offered Rate that is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Hong Kong Treasury Markets Association (or any other Person that takes over the administration of that rate) based on estimated Hong Kong dollar-denominated interbank borrowing rates for such maturity that are provided by a panel of contributor banks.

**"Holder"** means, with respect to any Note, (i) in the case of Uncertificated Notes, (a) the Person, other than an intermediary (*Verwahrungsstelle*), holding such Note in a securities account (*Effektenkonto*) with an intermediary (*Verwahrungsstelle*), or (b) the intermediary

(*Verwahrungsstellen*) holding such Note for its own account, and (ii) in the case of Registered Notes, the Person in whose name the Registered Certificate representing such Registered Note is registered in the Register. For the avoidance of doubt, with respect to Notes represented by a Registered Global Certificate, no Indirect Holder or other Person will be a Holder for purposes of the Terms and Conditions of the Notes, such Notes or the Guarantee or have any rights, or be owed any obligations by the Issuer or the Guarantor, under such Notes or the Guarantee, respectively.

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case, appointed by the Issuer at its own expense.

**"Independent Adviser Determination Cut-off Date"** has the meaning assigned to such term in subclause (d)(ii)(A) of Condition 6 (*Interest*).

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

**"Ineligibility Event"** has the meaning assigned to such term in clause (e) of Condition 7 (*Redemption and Purchase*).

**"Ineligibility Event Redemption Amount"** means the ineligibility event redemption amount specified in the relevant Pricing Supplement.

**"Ineligibility Event Redemption Date"** means the ineligibility event redemption date(s) specified in the relevant Pricing Supplement.

**"Initial Rate of Interest"** means, in respect of Fixed Rate/Fixed Rate Notes, the initial rate of interest specified in the relevant Pricing Supplement.

**"Interest Amount"** has the meaning assigned to such term in subclause (d)(iv) of Condition 6 (*Interest*).

**"Interest Commencement Date"** means the interest commencement date specified in the relevant Pricing Supplement.

**"Interest Determination Date"** means the interest determination date(s) specified in the relevant Pricing Supplement.

**"Interest Payment Date"** means (i) in the case of Fixed Rate Notes and Fixed Rate/Fixed Rate Notes, the interest payment date(s) specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement, and (ii) in the case of Floating Rate Notes, (x) if a Specified Period is specified in the relevant Pricing Supplement, each date that falls the number of months or other period equal to the Specified Period after the preceding Interest Payment Date (or, in the case of the first Interest Payment Date, after the Interest Commencement Date), or (y) otherwise, the Specified Interest Payment Date(s) specified in the relevant Pricing Supplement, and (iii) in the case of Fixed Rate/Floating Rate Notes, (a) on or prior to the Floating Rate Commencement Date, the interest payment date(s) specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement, and (b) after the Floating Rate Commencement Date, (x) if a Specified Period is specified in the relevant Pricing Supplement, each date that falls the number of months or other period equal to the Specified Period after the preceding Interest Payment Date (or, in the case of the first Interest Payment Date after the Floating Rate Commencement Date, after the Floating Rate Commencement Date), or (y) otherwise, the Specified Interest Payment Date(s) specified in the relevant Pricing Supplement, in the case of each of clauses (i), (ii) and (iii), as may be adjusted in accordance with the Business Day Convention, if any.

**"Interest Period"** means (i) in the case of Floating Rate Notes, each period beginning on and including (or, in the case of Swiss Franc Notes, beginning on but excluding) an Interest Payment Date (or, in the case of the first Interest Period, the Interest Commencement Date) and ending on but excluding (or, in the case of Swiss Franc Notes, ending on and including) the next Interest Payment Date, and (ii) in the case of Fixed Rate/Floating Rate Notes, each period in the Floating Rate Period beginning on and including (or, in the case of Swiss Franc Notes, beginning on but excluding) an Interest Payment Date (or, in the case of the first Interest Period, the Floating Rate Commencement Date) and ending on but excluding (or, in the case of Swiss Franc Notes, ending on and including) the next Interest Payment Date.

**"Intermediary"** has the meaning assigned to such term in subclause (b)(i)(A) of Condition 2 (*Amount, Denomination and Form*).

**"Intermediated Securities"** has the meaning assigned to such term in subclause (b)(i)(A) of Condition 2 (*Amount, Denomination and Form*).

**"Issue Date"** means the issue date specified in the relevant Pricing Supplement.

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

**"Issuer Call"** has the meaning assigned to such term in clause (c) of Condition 7 (*Redemption and Purchase*).

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

**"JPY TSR"** means the swap rate for Yen swap transactions known as the Tokyo swap reference rate that is calculated and published by a designated distributor (currently Thomson Reuters) based on the mid-market semi-annual swap rate for the semi-annual fixed leg of a fixed-for floating Yen interest rate swap transaction where the floating leg is equivalent to LIBOR for Yen with a maturity of six months that is provided by a panel of contributor banks.

**"LIBOR"** means, in respect of any specified currency and specified maturity, the interest rate benchmark known as the London Interbank Offered Rate that is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for such currency and maturity that are provided by a panel of contributor banks.

**"Make-Whole Redemption Amount"** means, in respect of a Note and any Make-Whole Redemption Date, the greater of (i) the outstanding principal amount of such Note and (ii) the present value, as determined by the Issuer, of the remaining scheduled payments of principal and interest on such Note (not including any accrued and unpaid interest to but excluding (or, in the case of Swiss Franc Notes, to and including) such Make-Whole Redemption Date) discounted to such Make-Whole Redemption Date at the Reinvestment Rate (as determined by the Issuer on the Reinvestment Rate Determination Date) on the basis of the same frequency and by reference to the same day count fraction as is applicable to such payments on the Reference Bond.

**"Make-Whole Redemption Date"** means the make-whole event redemption date(s) specified in the relevant Pricing Supplement.

**"Margin"** means the margin(s) specified in the relevant Pricing Supplement.

**"Maturity Date"** means the maturity date specified in the relevant Pricing Supplement.

**"Maximum Floating Rate of Interest"** means the maximum Floating Rate of Interest specified in the relevant Pricing Supplement.

**"Minimum Floating Rate of Interest"** means the minimum Floating Rate of Interest specified in the relevant Pricing Supplement.

"**NIBOR**" means, in respect of any specified maturity, the interest rate benchmark known as the Norwegian Inter Bank Offered Rate that is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of Finance Norway (or any other Person that takes over the administration of that rate) based on estimated Norwegian Krone denominated interbank borrowing rates for such maturity that are provided by a panel of contributor banks.

"**Notes**" means the notes of the Tranche or Series specified in the relevant Pricing Supplement. Any reference to Notes includes a reference to (i) Registered Notes or Uncertificated Notes, whichever is specified in the relevant Pricing Supplement, and (ii) in the case of a Tranche or Series of Registered Notes, notes of such Tranche or Series in global and definitive form.

"**Optional Redemption Amount**" means the optional redemption amount specified in the relevant Pricing Supplement.

"**Optional Redemption Date**" means the optional redemption date(s) specified in the relevant Pricing Supplement.

"**Paying Agency Agreement**" means the paying agency agreement for Uncertificated Notes issued under the Programme dated as of 10 March 2017 (as may be amended, supplemented or otherwise modified from time to time), among the Issuer, the Guarantor, the Principal Paying Agent, the Calculation Agent and the other Agents from time to time party thereto.

"**Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 8 (*Payments; Agents*).

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

"**Pricing Supplement**" means the pricing supplement prepared in connection with the issuance of a Tranche of Notes. A copy of the Pricing Supplement for each Tranche of Notes is available from the Issuer at UBS AG, Zurich, Swiss Prospectus, Switzerland (voicemail: +41 44 239 47 03; fax: +41 44 239 69 14; email: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)).

"**Principal Paying Agent**" means UBS AG, in its capacity as principal paying agent for Uncertificated Notes, and includes any successor Principal Paying Agent appointed in accordance with the Paying Agency Agreement.

"**Programme**" means the senior debt programme for the issuing of notes under which the Notes are issued.

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

"**QIB**" has the meaning assigned to such term in subclause (c)(i)(A) of Condition 2 (*Amount, Denomination and Form*).

"**Quotation Time**" means the quotation time specified in the relevant Pricing Supplement.

"**Rate of Interest**" means, in respect of Fixed Rate/Floating Rate Notes, (i) during the Fixed Rate Period, the Fixed Rate of Interest, and (ii) during the Floating Rate Period, the applicable Floating Rate of Interest.

**"Record Date"** means, with respect to any Scheduled Due Date, the last Relevant Banking Day immediately preceding such Scheduled Due Date.

**"Reference Banks"** means, with respect to any Reference Rate, (i) in the case of LIBOR, the principal London office of four major banks in the London interbank market, as chosen by UBS AG, (ii) in the case of EURIBOR, the principal Eurozone office of four major banks in the Eurozone market, as chosen by UBS AG, and (iii) in the case of any other Reference Rate, the reference banks specified in the relevant Pricing Supplement.

**"Reference Bond(s)"** means the security or securities specified as such in the relevant Pricing Supplement or, if no such securities are so specified, the security or securities, as selected by the Issuer, that would be utilised, as at the Reinvestment Rate Determination Date and in accordance with customary financial practice, in pricing new issues or corporate debt securities of comparable maturity to the remaining term of the Notes.

**"Reference Bond Price"** means, with respect to a Reference Bond,

- (a) the arithmetic average of five Reference Market Maker Quotations for the relevant Make-Whole Redemption Date, after excluding the highest and lowest Reference Market Maker Quotations; or
- (b) if the Issuer obtains fewer than five Reference Market Maker Quotations, but more than one, the arithmetic average of all such quotations; or
- (c) if only one such Reference Market Quotation is obtained by the Issuer, the amount of the Reference Market Maker Quotation so obtained,

in each case, as determined by the Issuer.

**"Reference Market Maker"** means the five brokers or market makers of securities such as the relevant Reference Bond selected by the Issuer or such other five Persons operating in the market for securities such as the Reference Bond as are selected by the Issuer.

**"Reference Market Maker Quotations"** means, with respect to a Reference Market Maker and any Make-Whole Redemption Date, the average, as determined by the Issuer, of the bid and ask prices for the relevant Reference Bond (expressed in each case as a percentage of its principal amount) quoted to the Issuer at the Quotation Time.

**"Reference Rate"** means, with respect to any Interest Period, BBSW, CDOR, EURIBOR, HIBOR, JPY TSR, LIBOR, NIBOR, SOR, STIBOR, US Federal Funds Rate or such other rate specified as the reference rate in, and, if applicable, for the currency and maturity specified in, the relevant Pricing Supplement.

**"Register"** means the register that the Issuer will procure to be kept by the Registrar in accordance with the provisions of the Senior Debt Fiscal Agency Agreement.

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

**"Registered Definitive Certificate"** has the meaning assigned to such term in subclause (c)(ii)(A) of Condition 2 (*Amount, Denomination and Form*).

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

**"Registered Notes"** means Notes issued in registered form.

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

**"Regular Period"** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including (or, in the case of Swiss Franc Notes, from but excluding) the Interest Commencement Date to but excluding (or, in the case of Swiss Franc Notes, to and including) the first Interest Payment Date and each successive period from and including (or, in the case of Swiss Franc Notes, from but excluding) one Interest Payment Date to but excluding (or, in the case of Swiss Franc Notes, to and including) the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including (or, in the case of Swiss Franc Notes, from but excluding) a Regular Date falling in any year to but excluding (or, in the case of Swiss Franc Notes, to and including) the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including (or, in the case of Swiss Franc Notes, from but excluding) a Regular Date (or, in the case of the first Interest Period, the Interest Commencement Date) falling in any year to but excluding (or, in the case of Swiss Franc Notes, to and including) the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period.

**"Regulation S Registered Global Certificate"** has the meaning assigned to such term in subclause (c)(i)(A) of Condition 2 (*Amount, Denomination and Form*).

**"Reinvestment Margin"** means the reinvestment margin specified in the relevant Pricing Supplement.

**"Reinvestment Rate"** means, with respect to any Make-Whole Redemption Date, the rate determined by the Issuer equal to (i) the rate per annum equal to the equivalent yield to maturity of the Reference Bond or, if there is more than one Reference Bond, the arithmetic average of the equivalent yields to maturity of the Reference Bonds, interpolated on a straightline basis in accordance with customary financial practice, calculated on the Reinvestment Rate Determination Date using a price for each Reference Bond (expressed as a percentage of the principal amount of the Reference Bond(s)) equal to its Reference Bond Price for such Make-Whole Redemption Date, plus (ii) the Reinvestment Margin.

**"Reinvestment Rate Determination Date"** means the reinvestment rate determination date specified in the relevant Pricing Supplement.

**"Relevant Agent"** means (i) in the case of Uncertificated Notes, the Principal Paying Agent, and (ii) in the case of Registered Notes, the Fiscal Agent.

**"Relevant Banking Day"** means, with respect to any Registered Note, a day other than a Saturday or Sunday, on which banks are open for business in the place of the Specified Office of the Registrar and the Fiscal Agent.

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

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

**"Relevant Screen Page"** means, with respect to any Reference Rate, the page, section or other part of a particular information service (including, without limitation, Reuters and Bloomberg)

specified as the relevant screen page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to such Reference Rate.

**"Relevant Time"** means (i) with respect to any Reference Rate, (A) in the case of LIBOR, 11:00 am, London time, (B) in the case of EURIBOR, 11:00 am, Brussels time, and (C) in the case of any other Reference Rate, the time specified as such in the relevant Pricing Supplement, and (ii) with respect to any Reset Determination Date, the time specified as such in the relevant Pricing Supplement.

**"Reset Date"** means, in respect of Fixed Rate/Fixed Rate Notes, the reset date specified in the relevant Pricing Supplement.

**"Reset Determination Date"** means, in respect of Fixed Rate/Fixed Rate Notes, the reset determination date specified in the relevant Pricing Supplement.

**"Reset Margin"** means, in respect of Fixed Rate/Fixed Rate Notes, the reset margin specified in the relevant Pricing Supplement.

**"Reset Period"** means, in respect of Fixed Rate/Fixed Rate Notes, the period from and including (or, in the case of Swiss Franc Notes, from but excluding) the Reset Date to but excluding (or, in the case of Swiss Franc Notes, to and including) the Maturity Date.

**"Reset Reference Rate"** means, in respect of Fixed Rate/Fixed Rate Notes, the reset reference rate specified in, and calculated by the Issuer in accordance with, the relevant Pricing Supplement.

**"Restructuring Deferral Period"** has the meaning assigned to such term in subclause (e) of Condition 8 (*Payments; Agents*).

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

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

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

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

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

**"Rule 144A"** has the meaning assigned to such term in subclause (c)(i)(A) of Condition 2 (*Amount, Denomination and Form*).

**"Rule 144A Registered Global Certificate"** has the meaning assigned to such term in subclause (c)(i)(A) of Condition 2 (*Amount, Denomination and Form*).

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

**"Senior Debt Fiscal Agency Agreement"** means the fiscal agency agreement for Registered Notes issued under the Programme dated as of 13 March 2018 (as may be amended, supplemented or otherwise modified from time to time), among the Issuer, the Guarantor, the

Fiscal Agent, the Registrar, the Calculation Agent and the other Agents from time to time party thereto.

"**Series**" means the series specified in the relevant Pricing Supplement.

"**SIS**" means SIX SIS Ltd.

"**SIX Swiss Exchange**" means SIX Swiss Exchange Ltd.

"**SOR**" means, in respect of any specified maturity, the interest rate benchmark known as the Swap Offered Rate that is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Association of Banks in Singapore (or any other Person that takes over the administration of that rate) based on estimated Singapore dollar denominated interbank borrowing rates for such maturity that are provided by a panel of contributor banks.

"**Specified Currency**" means the currency specified as such in the relevant Pricing Supplement.

"**Specified Denomination**" means the denomination specified as such in the relevant Pricing Supplement.

"**Specified Office**" means (i) in the case of Deutsche Bank Trust Company Americas, as Fiscal Agent, Paying Agent for Registered Notes, Registrar, and Calculation Agent for Registered Notes that are Floating Rate Notes or Fixed Rate/Floating Rate Notes, Trust and Agency Services, 60 Wall Street, 16th Floor, New York, New York 10005, USA, (ii) in the case of UBS AG, as Principal Paying Agent, Calculation Agent for Uncertificated Notes that are Floating Rate Notes or Fixed Rate/Floating Rate Notes, and Swiss Paying Agent for Registered Notes, Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, and (iii) in the case of any other Agent, such office as is notified by the Issuer to the Holders in writing in accordance with Condition 14 (*Notices*) as soon as practicable after the appointment of such Agent, in the case of each of clauses (i), (ii) and (iii), or such other office as the relevant Agent may designate from time to time by providing notice to the Issuer and the Holders in writing in accordance with Condition 14 (*Notices*).

"**Specified Interest Payment Date**" means the date(s) specified as such in the relevant Pricing Supplement.

"**Specified Period**" means the period(s) specified as such in the relevant Pricing Supplement.

"**STIBOR**" means, in respect of any specified maturity, the interest rate benchmark known as the Stockholm Interbank Offered Rate that is calculated and published by a designated distributor (currently NASDAQ OMX Stockholm) in accordance with the requirements from time to time of Swedish Bankers' Association (or any other Person that takes over the administration of that rate) based on estimated Swedish krona denominated interbank borrowing rates for such maturity that are provided by a panel of contributor banks.

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

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

"**sub-unit**" means (i) with respect to euro, one cent, and (ii) with respect to any other currency, the lowest amount of such currency that is available as legal tender in the country of such currency.

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

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



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

"**Swiss Franc Notes**" means Notes denominated in Swiss francs.

"**Swiss Paying Agent**" has the meaning assigned to such term in subclause (c)(i) of Condition 8 (*Payments; Agents*).

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

"**Swiss Resolution Power**" means any statutory power of the Swiss Resolution Authority that it may exercise during Restructuring Proceedings as set forth in article 28 et seq. of the Swiss Banking Act and article 40 et seq. of the Swiss Banking Insolvency Ordinance, or in any successor Swiss law or regulation or analogous Swiss law or regulation applicable to bank holding companies incorporated under the laws of Switzerland such as UBS Group AG, including, without limitation, the power to (i) transfer the assets of the entity subject to such Restructuring Proceedings, or portions thereof, together with such entity's debt, other liabilities and contracts, or portions thereof, to another entity, (ii) stay (for a maximum of two business days) the termination of, or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of certain types of collateral or (z) rights to transfer claims, liabilities or certain collateral under, contracts to which the entity subject to such Restructuring Proceedings is a party, (iii) convert the debt of the entity subject to such Restructuring Proceedings into equity, and/or (iv) partially or fully write-down the obligations of the entity subject to such Restructuring Proceedings.

"**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system that utilises a single shared platform and that was launched on 19 November 2007.

"**Tax Event**" has the meaning assigned to such term in subclause (b)(ii) of Condition 7 (*Redemption and Purchase*).

"**Tax Jurisdiction**" means Switzerland.

"**Tax Redemption Amount**" means the tax redemption amount specified in the relevant Pricing Supplement.

"**Taxes**" has the meaning assigned to such term in Condition 9 (*Taxation*).

"**Terms and Conditions of the Notes**" means these General Terms and Conditions as completed, supplemented, modified or replaced by the information contained in the relevant Pricing Supplement. To the extent that the information in the Pricing Supplement supplements, modifies or replaces these General Terms and Conditions, it shall do so only for the purpose of the Tranche of Notes to which the relevant Pricing Supplement relates. To the extent that there is any inconsistency between these General Terms and Conditions and the terms and conditions that appear in the relevant Pricing Supplement, the terms and conditions that appear in the relevant Pricing Supplement shall prevail.

"**Tranche**" means the tranche specified in the relevant Pricing Supplement.

"**Uncertificated Notes**" means Notes issued in uncertificated form.

"**US Exchange Act**" means the US Securities and Exchange Act of 1934, as amended.

"**US Federal Funds Rate**" means, with respect to any Interest Period,

- (a) the rate with respect to the related Interest Determination Date for US dollar federal funds as published in H.15(519) under the caption "Federal funds (effective)" and displayed on Reuters (or any successor service) on page FEDFUNDS1 under the caption "EFFECT" (or any other page as may replace the specified page on that service) ("**FEDFUNDS1 Page**"); or

- (b) if the rate referred to in clause (i) above does not so appear on the FEDFUNDS1 Page or is not so published by 5.00 P.M., New York City time, on the related Interest Determination Date, the rate with respect to such Interest Determination Date for US dollar federal funds as published in H.15 Daily Update, or such other recognised electronic source used for the purpose of displaying the applicable rate, under the caption "Federal funds (effective)"; or
- (c) if the rate referred to in clause (ii) above is not so published by 5.00 P.M., New York City time, on the related Interest Determination Date, the rate for the last preceding such Interest Determination Date for which such rate is set forth in H.15(519) opposite the caption "Federal funds (effective)", as such rate is displayed on the FEDFUNDS1 Page.

"US Investment Company Act" means the US Investment Company Act of 1940, as amended.

"US Securities Act" means the US Securities Act of 1933, as amended.

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

## 2. AMOUNT, DENOMINATION AND FORM

### (a) *General*

- (i) The initial aggregate principal amount of the Notes is specified in the relevant Pricing Supplement. All payments in relation to the Notes will be made in the same currency as the aggregate principal amount (i.e., the Specified Currency). The Notes are issued to Holders in the Specified Denominations specified in the relevant Pricing Supplement.
- (ii) The relevant Pricing Supplement indicates whether the Notes are Uncertificated Notes or Registered Notes.

### (b) *Uncertificated Notes*

Each Tranche of Uncertificated Notes will be issued in uncertificated form as uncertificated securities (*Wertrechte*) in accordance with 973c of the Swiss Code of Obligations, which will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtbuch*). Such uncertificated securities will then be entered into the main register (*Hauptregister*) of SIS or any other intermediary in Switzerland recognised for such purposes by SIX Swiss Exchange (SIS or any such other intermediary, the "**Intermediary**"). Once the uncertificated securities are registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Uncertificated Notes will constitute intermediated securities (*Bucheffekten*) ("**Intermediated Securities**") within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*).

For so long as Uncertificated Notes are Intermediated Securities, the Uncertificated Notes may only be transferred by the entry of the transferred Uncertificated Notes in a securities account of the transferee, as set out in the provisions of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) regarding the transfer of Intermediated Securities. The records of the Intermediary will determine the number of Uncertificated Notes held through each participant in that Intermediary.

None of the Issuer, the Guarantor and any Holder will at any time have the right to effect or demand the conversion of the Uncertificated Notes into, or the delivery of, a permanent global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

(c) **Registered Notes**

(i) **Registered Global Certificates**

- (A) Registered Notes that are initially sold in the United States to "qualified institutional buyers" (each, a "**QIB**") within the meaning of Rule 144A under the US Securities Act ("**Rule 144A**") are initially represented by one or more permanent registered global certificates (each, a "**Rule 144A Registered Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. Registered Notes that are initially sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act are initially represented by one or more permanent registered global certificates (each, a "**Regulation S Registered Global Certificate**"), without interest coupons, deposited with the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC, *provided* that upon such Regulation S Registered Global Certificate's deposit, all beneficial interests in the Registered Notes represented thereby are maintained at or through Euroclear and/or Clearstream, Luxembourg until expiration of the Distribution Compliance Period. The form of Regulation S Registered Global Certificate and the form of Rule 144A Registered Global Certificate are set out in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon request.
- (B) The aggregate principal amount of the Registered Notes represented by each of the Registered Global Certificates may from time to time be increased or decreased by adjustments made on the records of the Registrar. Every Registered Global Certificate shall have affixed a schedule for the purpose of recording adjustments in the aggregate principal amount thereof; *provided, however*, that, in the event of a discrepancy between the principal amounts recorded on such schedule and the amounts listed on the records of the Registrar, the principal amounts listed on the records of the Registrar will control. Any beneficial interest of an Indirect Holder in any Note represented by one of the Registered Global Certificates that is transferred to a Person who takes delivery in the form of a beneficial interest in such Registered Note represented by another Registered Global Certificate will, upon transfer, cease to be a beneficial interest in such first Registered Global Certificate and become a beneficial interest in the other Registered Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Registered Global Certificate for as long as it retains such an interest.
- (C) The Holder of a Registered Global Certificate may grant proxies and otherwise authorise any Person, including, without limitation, participants of DTC or another Relevant Clearing System and Persons that may hold interests through such participants, to take any action that a Holder is entitled to take under the Terms and Conditions of the Notes or the Registered Notes represented by such Registered Global Certificate.
- (D) In the case of Registered Notes, so long as the Notes are represented by one or more Registered Global Certificates deposited with, or with a custodian for, the Depositary, although the Holders are the only Persons entitled to participate in, and vote at, any meeting of Holders, the Holder of a Registered Global Certificate may grant proxies and otherwise authorise any Person, including, without limitation, participants of a Relevant Clearing System and Persons that may hold

interests through such participants, to take any action that the Holder is entitled to take under the Terms and Conditions of the Notes or the Notes, and nothing in the Terms and Conditions of the Notes will prevent the Issuer, the Guarantor, the Agents or any of their respective agents from giving effect to any such proxies or other authorisations furnished by the Holder of a Registered Global Certificate for purposes of this Condition 2(c)(i)(D). The Holder of a Registered Global Certificate shall (i) obtain instructions from the relevant Indirect Holders in respect of any meeting of Holders, (ii) vote at such meeting in respect of each Registered Note represented by such Registered Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (iii) abstain from representing any Note represented by such Registered Global Certificate at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Only the Notes represented by such Registered Global Certificate for which the Holder received an instruction by the relevant Indirect Holder to take part at a meeting of Holders will be deemed to be present or represented at such meeting.

(ii) *Registered Definitive Certificates*

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

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

(B) If a Registered Global Certificate is to be exchanged for Registered Definitive Certificates pursuant to Condition 2(c)(ii)(A), the Issuer will procure the prompt delivery (free of charge) of Registered Definitive Certificates to the Fiscal Agent, duly executed without interest coupons, registered in the names of the relevant Indirect Holders, addresses and denominations (subject to the Specified Denomination) provided in a written notice to be given by the Depository or the Issuer to the Fiscal Agent (which notice shall be given subject to the Depository's procedures and also specify the taxpayer identification number, if any, of each Person in whose name such Registered Definitive Certificates are to be registered). Upon written direction of the Issuer, the Fiscal Agent will deliver such Registered Definitive Certificates to the Holders thereof not later than five Business Days after receipt by the Fiscal Agent of the written notice provided by the Depository (or the Issuer, as applicable) referred to above (and any other necessary

information as the Fiscal Agent may reasonably request from the Issuer at such time). The Fiscal Agent shall promptly cancel and deliver to the Issuer the surrendered Registered Global Certificates. The form of Registered Definitive Certificate that will be issued in exchange for a beneficial interest in a Registered Note represented by a Rule 144A Registered Global Certificate and the form of Registered Definitive Certificate that will be issued in exchange for a beneficial interest in a Registered Note represented by a Regulation S Registered Global Certificate are set out in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon request.

### 3. **TRANSFER OF REGISTERED NOTES**

#### (a) ***General***

- (i) Subject to Conditions 3(b) and 3(c), title to Registered Notes will pass on transfer by assignment (*Zession*) and due registration in the Register. All transfers of Registered Notes and entries on the Register will be made subject to the provisions concerning transfers of Registered Notes set forth in the Senior Debt Fiscal Agency Agreement, which will be made available by the Registrar to any Holder upon written request.
- (ii) Transfers of Registered Notes, or of beneficial interests in Registered Notes represented by Registered Global Certificates, may be made only in accordance with the legend set forth upon the face of the applicable Registered Global Certificate or Registered Definitive Certificate, and the Registrar will not be required to accept for registration of transfer any Registered Note or beneficial interests in Registered Notes except upon presentation of evidence satisfactory to the Fiscal Agent and the Registrar that such transfer is being made in compliance with such legend.
- (iii) Transfers of Registered Notes and the issue of new Registered Global Certificates or Registered Definitive Certificates, as the case may be, on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to the transfer (or the giving of such indemnity as the Fiscal Agent or the Registrar may require) by the Holder.
- (iv) No Holder may require the transfer of a Registered Note to be registered (x) during the period of 15 days ending on (and including) the due date for redemption of the Registered Notes pursuant to Condition 7 (*Redemption and Purchase*), or (y) during the period of 15 days ending on (and including) the Record Date for any Interest Payment Date.
- (v) No Person (including any Indirect Holder) other than the Holder(s) will have any rights, or be owed any obligations by the Issuer or the Guarantor, under the Registered Notes or the Guarantee, respectively. Payments of principal, interest or any other amount in respect of Registered Notes will be made only to the Person shown on the Register as the registered holder of such Registered Note (i.e., the Holder) at close of business on the relevant Record Date.

#### (b) ***Transfer of Registered Notes represented by a Registered Global Certificate***

- (i) Registered Global Certificates may be transferred only in whole, but not in part, and only to a Relevant Clearing System or any of their respective successors or nominees, in each case located outside of Switzerland, except as provided below. Beneficial interests of Indirect Holders in Registered Notes represented by Registered Global Certificates will be transferred only in accordance with the rules and procedures of such Relevant Clearing System, the provisions of the Senior Debt Fiscal Agency Agreement and this Condition 3(b).

- (ii) A beneficial interest in a Registered Note represented by a Regulation S Registered Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Registered Note represented by a Rule 144A Registered Global Certificate during the Distribution Compliance Period, only if such exchange occurs in connection with a transfer of beneficial interests in the Registered Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the beneficial interests in the Registered Notes are being transferred to a Person who the transferor reasonably believes is a QIB within the meaning of Rule 144A under the US Securities Act, purchasing the beneficial interests in the Registered Notes for its own account or the account of a QIB in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.
  - (iii) A beneficial interest in a Registered Note represented by a Rule 144A Registered Global Certificate may be transferred to a Person who takes delivery in the form of a beneficial interest in a Registered Note represented by a Regulation S Registered Global Certificate, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal Agent and the Registrar a written certificate substantially in the form of a certificate available on request from the Registrar to the effect that the transfer is being conducted in compliance with Rule 903 or Rule 904 of Regulation S under the US Securities Act.
  - (iv) Until the termination of the Distribution Compliance Period, beneficial interests in any Regulation S Registered Global Certificate may be held only through participants acting for and on behalf of Euroclear and/or Clearstream, Luxembourg, *provided* that this subclause (iv) shall not prohibit any transfer in accordance with subclause (ii) of this Condition 3(b).
- (c) ***Transfer of Registered Notes represented by a Registered Definitive Certificate***
- (i) If and when Registered Definitive Certificates have been issued pursuant to Condition 2(c)(ii), one or more Registered Notes may be transferred only in accordance with the legends set forth upon the face of the relevant Registered Definitive Certificate and only upon the surrender (at the Specified Office of the Registrar) of the Registered Definitive Certificate representing such Registered Notes to be transferred, together with the form of transfer attached to such Registered Definitive Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Fiscal Agent and the Registrar may reasonably require. A new Registered Definitive Certificate shall be issued to the transferee in respect of the Registered Notes that are the subject of the relevant transfer and, in the case of a transfer of part only of a holding of Registered Notes represented by one Registered Definitive Certificate, a new Registered Definitive Certificate in respect of the balance of the Registered Notes not transferred shall be issued to the transferor. In the case of a transfer of Registered Notes to a Person who is already a Holder, a new Registered Definitive Certificate representing the enlarged holding may be issued but only against surrender of the Registered Definitive Certificate representing the existing holding of such Person.
  - (ii) Each new Registered Definitive Certificate to be issued pursuant to Condition 2(c)(ii) shall be available for delivery within three Relevant Banking Days of receipt of the form of transfer and surrender of the relevant Registered Definitive Certificate. Delivery of new Registered Definitive Certificate(s) will be made at the Specified Office of the Fiscal Agent to whom delivery and surrender of such form of transfer and Registered Definitive Certificate or, as the case may be, surrender of such Registered Definitive Certificate, will have been made or, at the option of the relevant Holder and as specified in the relevant

form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Registered Definitive Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Fiscal Agent the costs of such other method of delivery and/or such insurance as it may specify.

(d) **Rule 144A**

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

4. **STATUS OF THE NOTES**

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

5. **GUARANTEE**

(a) **Guarantee of the Notes**

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

(b) **Consolidation, merger or sale**

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

## 6. INTEREST

The relevant Pricing Supplement indicates whether the Notes are Fixed Rate Notes, Fixed Rate/Fixed Rate Notes, Floating Rate Notes or Fixed Rate/Floating Rate Notes.

### (a) *Fixed Rate Notes and Fixed Rate/Fixed Rate Notes*

This Condition 6(a) applies to Fixed Rate Notes and Fixed Rate/Fixed Rate Notes only.

(i) The Notes shall bear interest on their principal amount at the applicable Fixed Rate of Interest from and including (or, in the case of Swiss Franc Notes, from but excluding) the Interest Commencement Date to but excluding (or, in the case of Swiss Franc Notes, to and including) (i) if the Notes are early redeemed pursuant to clause (b), (c), (d) or (e) of Condition 7 (*Redemption and Purchase*), the applicable Early Redemption Date, or (ii) otherwise, the Maturity Date; *provided, however*, that if (upon due presentation thereof where presentation is required) payment with respect to any Note is improperly withheld or refused on such Early Redemption Date or the Maturity Date, as the case may be, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the applicable Fixed Rate of Interest to but excluding (or, in the case of Swiss Franc Notes, to and including) the Relevant Date. Interest on the Notes will be payable in arrear on each Interest Payment Date.

### (ii) *Calculation of amount of interest per Calculation Amount*

(A) The amount of interest payable in respect of the Notes per Calculation Amount on each Interest Payment Date (in the case of Fixed Rate/Fixed Rate Notes, falling on or prior to the Reset Date) will amount to the Fixed Coupon Amount, unless the relevant Pricing Supplement specifies that the Broken Amount is applicable to any such Interest Payment Date, in which case the amount of interest payable in respect of the Notes on such Interest Payment Date per Calculation Amount will amount to the Broken Amount.

(B) If interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, in the case of Fixed Rate/Fixed Rate Notes, any Interest Payment Date falling after the Reset Date), the amount of interest payable per Calculation Amount will be calculated by:

- (1) applying the applicable Fixed Rate of Interest to the Calculation Amount;
- (2) multiplying the product thereof by the Day Count Fraction; and
- (3) rounding the resulting figure to the nearest sub-unit of the Specified Currency (one half of any such sub-unit being rounded upwards).

### (iii) *Calculation of amount of interest per Note*

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

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

(iv) In the case of Fixed Rate/Fixed Rate Notes, the Issuer will (A) as soon as practicable after the Relevant Time on the Reset Determination Date, determine the Fixed Rate of Interest applicable to the Reset Period, and (B) as soon as practicable after such determination but in any event not later than the first day



of the Reset Period, cause such Fixed Rate of Interest to be notified to the Relevant Agent and the Paying Agents and any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 14 (*Notices*).

(b) ***Floating Rate Notes***

This Condition 6(b) applies to Floating Rate Notes only.

(i) The Notes will bear interest on their principal amount at the applicable Floating Rate of Interest from and including (or, in the case of Swiss Franc Notes, from but excluding) the Interest Commencement Date to but excluding (or, in the case of Swiss Franc Notes, to and including) (i) if the Notes are early redeemed pursuant to clause (b), (c), (d) or (e) of Condition 7 (*Redemption and Purchase*), the applicable Early Redemption Date, or (ii) otherwise, the Maturity Date; *provided, however*, that if (upon due presentation thereof where presentation is required) payment with respect to any Note is improperly withheld or refused on such Early Redemption Date or the Maturity Date, as the case may be, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the applicable Floating Rate of Interest to but excluding (or, in the case of Swiss Franc Notes, to and including) the Relevant Date. Interest on the Notes will be payable in arrear on each Interest Payment Date.

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

The amount of interest payable per Calculation Amount on any date (including, for the avoidance of doubt, any Interest Payment Date) will be calculated by:

- (A) applying the applicable Floating Rate of Interest to the Calculation Amount;
- (B) multiplying the product thereof by the Day Count Fraction; and
- (C) rounding the resulting figure to the nearest sub-unit of the Specified Currency (one half of any such sub-unit being rounded upwards).

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

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

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

(c) ***Fixed Rate/Floating Rate Notes***

This Condition 6(c) applies to Fixed Rate/Floating Rate Notes only.

(i) The Notes will bear interest on their principal amount at the applicable Rate of Interest from and including (or, in the case of Swiss Franc Notes, from but excluding) the Interest Commencement Date to but excluding (or, in the case of Swiss Franc Notes, to and including) (i) if the Notes are early redeemed pursuant to clause (b), (c), (d) or (e) of Condition 7 (*Redemption and Purchase*), the applicable Early Redemption Date, or (ii) otherwise, the Maturity Date; *provided, however*, that if (upon due presentation thereof where presentation is required) payment with respect to any Note is improperly withheld or refused on such Early Redemption Date or the Maturity Date, as the case may be, interest will continue to accrue on the principal amount of such Note (both before and after judgment) at the applicable Rate of Interest to but excluding (or, in the case of Swiss Franc Notes, to and including) the Relevant Date. Interest on the Notes will be payable in arrear on each Interest Payment Date.

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

- (A) The amount of interest payable in respect of the Notes per Calculation Amount on each Interest Payment Date falling on or prior to the Floating Rate Commencement Date will amount to the Fixed Coupon Amount, unless the relevant Pricing Supplement specifies that the Broken Amount is applicable to any such Interest Payment Date, in which case the amount of interest payable in respect of the Notes on such Interest Payment Date per Calculation Amount will amount to the Broken Amount.
- (B) If interest is required to be paid in respect of a Note on any other date (including, for the avoidance of doubt, any Interest Payment Date falling after the Floating Rate Commencement Date), the amount of interest payable per Calculation Amount will be calculated by:
- (1) applying the applicable Rate of Interest to the Calculation Amount;
  - (2) multiplying the product thereof by the Day Count Fraction; and
  - (3) rounding the resulting figure to the nearest sub-unit of the Specified Currency (one half of any such sub-unit being rounded upwards).

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

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

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

(d) ***Floating Rate of Interest***

This Condition 6(d) applies to Floating Rate Notes and Fixed Rate/Floating Rate Notes only.

(i) *Calculation of Floating Rate of Interest*

The interest rate that will apply to the Notes for each Interest Period (the "**Floating Rate of Interest**") will, subject as provided below, be:

- (A) if the Reference Rate is the US Federal Funds Rate, the US Federal Funds Rate for such Interest Period;
- (B) in any other case,
- (1) if the Reference Rate is a composite quotation or customarily supplied by one entity, the offered quotation; or
  - (2) in any other case, the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations

(expressed as a percentage rate per annum) for the Reference Rate that appears on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in relation to such Interest Period plus or minus (as indicated in the relevant Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. In the case of subclause (2) above, if five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more

than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or, if in the case of subclause (B)(1) of the immediately preceding paragraph, no such offered quotation appears or, in the case of subclause (B)(2) of the immediately preceding paragraph, fewer than three such offered quotations appear, in each case as at the Relevant Time,

- (x) in the case of a Reference Rate other than LIBOR or EURIBOR, the Calculation Agent shall determine the Floating Rate of Interest in accordance with the provisions set forth in the relevant Pricing Supplement; and
- (y) in the case of LIBOR or EURIBOR, the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its bid rate or offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the relevant Interest Determination Date. If two or more of the Reference Banks provide the Calculation Agent with such rates or offered quotations, the Floating Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such rates or offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If on the relevant Interest Determination Date one only or none of the Reference Banks provides the Calculation Agent with such offered quotations, the Floating Rate of Interest for the relevant Interest Period shall be the rate per annum that the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates for deposits in the Specified Currency, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Relevant Time on the relevant Interest Determination Date, for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Eurozone interbank market (if the Reference Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rate for deposits in the Specified Currency, at approximately the Relevant Time on the relevant Interest Determination Date, for a period equal to that which would have been used for the Reference Rate, at which any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Eurozone interbank market (if the Reference

Rate is EURIBOR) plus or minus (as appropriate) the Margin (if any); *provided, however*, that, if the Floating Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Floating Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period), or, in the case of the first Interest Period for Notes that are Fixed Rate/Floating Rate Notes, the Floating Rate of Interest will be equal to the Fixed Rate of Interest.

(ii) *Benchmark replacement*

Notwithstanding subclause (d)(i) of this Condition 6, if the Issuer (in consultation with the Calculation Agent) determines prior to any Interest Determination Date that the Reference Rate (the "**Existing Reference Rate**") has been discontinued, then the following provisions shall apply (subject to the subsequent operation of this subclause (ii)):

- (A) the Issuer shall use reasonable endeavours to appoint an Independent Adviser to determine in the Independent Adviser's discretion, in accordance with subclause (D) below, an alternative rate to the Existing Reference Rate (the "**Alternative Reference Rate**") no later than three Business Days prior to the Interest Determination Date relating to the next succeeding Interest Period (such Business Day, the "**Independent Adviser Determination Cut-off Date**", and such next succeeding Interest Period, the "**Affected Interest Period**") for purposes of determining the Floating Rate of Interest applicable to the Affected Interest Period and all Interest Periods thereafter;
- (B) if prior to the Independent Adviser Determination Cut-off Date the Issuer is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Issuer fails to determine an Alternative Reference Rate in accordance with subclause (D) below, then the Issuer (in consultation with the Calculation Agent) may determine in its discretion, in accordance with subclause (D) below, the Alternative Reference Rate for purposes of determining the Floating Rate of Interest applicable to the Affected Interest Period and all Interest Periods thereafter;
- (C) if subclause (B) above applies and the Issuer is unable or unwilling to determine the Alternative Reference Rate prior the Interest Determination Date relating to the Affected Interest Period in accordance with subclause (D) below, (1) the Floating Rate of Interest applicable to the Affected Interest Period shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the Affected Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the Affected Interest Period, in place of the Margin relating to that last preceding Interest Period), or, in the case of the first Interest Period for Notes that are Fixed Rate/Floating Rate Notes, the Floating Rate of Interest will be equal to the Fixed Rate of Interest, and (2) with respect to the next succeeding Interest Period following the Affected Interest Period, subclauses (A), (B) and (C) of this subclause (ii) shall apply for purposes of determining the Floating Rate of Interest applicable to such succeeding Interest Period as if references to the Affected Interest Period in such subclauses were references to such succeeding Interest Period; *provided, however*, that, if this subclause (C)

applies to such succeeding Interest Period, the Floating Rate of Interest for all future Interest Periods shall be the Floating Rate of Interest applicable to such succeeding Interest Period as determined in accordance with this subclause (C);

- (D) in the case of any determination of an Alternative Reference Rate pursuant to subclause (A) or (B) above, the Alternative Reference Rate shall be such rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner), as applicable, determines in its reasonable discretion has replaced the Existing Reference Rate in customary market usage, or, if the Independent Adviser or the Issuer, as applicable, determines in its reasonable discretion that there is no such rate, such other rate as the Independent Adviser or the Issuer (in consultation with the Calculation Agent and acting in good faith and a commercially reasonable manner) determines in its reasonable discretion is most comparable to the Existing Reference Rate; and
- (E) if the Independent Adviser or the Issuer determines an Alternative Reference Rate in accordance with the above provisions of this subclause (ii),
  - (1) the Independent Adviser or the Issuer (as the case may be) shall also, following consultation with the Calculation Agent, determine in its reasonable discretion (I) the method for obtaining the Alternative Reference Rate, including the screen page on or source from which the Alternative Reference Rate appears or is obtained (the "**Alternative Relevant Screen Page**"), and the time at which the Alternative Reference Rate appears on, or is obtained from, the Alternative Relevant Screen Page (the "**Alternative Relevant Time**"), and (II) any alternative method for obtaining the Alternative Reference Rate if such rate is unavailable on the relevant Interest Determination Date, which alternative method shall be consistent with any Alternative Reference Rate that has broad market support;
  - (2) for the Affected Interest Period and all Interest Periods thereafter, references to the Reference Rate in the Terms and Conditions shall be deemed to be references to the Alternative Reference Rate;
  - (3) references to the Relevant Screen Page and to the Relevant Time in the Terms and Conditions shall be deemed to be references to the Alternative Relevant Screen Page and the Alternative Relevant Time, respectively;
  - (4) if any changes to the definitions of Day Count Fraction, Business Day and/or Interest Determination Date are necessary in order to implement the Alternative Reference Rate as the Reference Rate and/or changes to subclause (d)(i) of this Condition 6 to implement any alternative method for determining the Alternative Reference Rate as described in subclause (1)(II) above, and, if so, such definitions and such subclause (d)(i) shall be amended as contemplated in clause (b) of Condition 15 (*Amendment*) to reflect such changes; and
  - (5) the Issuer shall promptly give notice to the Holders in accordance with Condition 14 (*Notices*) specifying the Alternative Reference Rate, the Alternative Relevant Screen Page, the Alternative Relevant Time, any alternative method

for obtaining the Alternative Reference Rate described in subclause (1)(II) above, and any amendments implemented pursuant to Condition 15 (*Amendment*) as described in subclause (4) above.

(iii) *Minimum and/or Maximum Floating Rate of Interest*

If the relevant Pricing Supplement specifies a Minimum Floating Rate of Interest for any Interest Period, then, in the event that the Floating Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subclause (i) or (ii)(D) of this Condition 6(d) is less than such Minimum Floating Rate of Interest, the Floating Rate of Interest for such Interest Period will be such Minimum Floating Rate of Interest. Unless otherwise stated in the relevant Pricing Supplement, the Minimum Floating Rate of Interest will be zero.

If the relevant Pricing Supplement specifies a Maximum Floating Rate of Interest for any Interest Period, then, in the event that the Floating Rate of Interest in respect of such Interest Period determined in accordance with the provisions of subclause (i) or (ii)(D) of this Condition 6(d) is greater than such Maximum Floating Rate of Interest, the Floating Rate of Interest for such Interest Period will be such Maximum Floating Rate of Interest.

(iv) *Determination of Floating Rate of Interest and Interest Amount in relation to an Interest Period*

On the relevant Interest Determination Date for each Interest Period, the Calculation Agent will, as soon as practicable after the Relevant Time, determine the Floating Rate of Interest for such Interest Period and calculate the amount of interest payable per Calculation Amount on the Interest Payment Date in relation to such Interest Period in accordance with Condition 6(b)(ii) or Condition 6(c)(ii)(B), as applicable (each, an "**Interest Amount**").

(v) *Notification of Floating Rate of Interest, Interest Amount and interest amount payable upon early redemption*

With respect to each Interest Period, as soon as practicable after such determination but in any event not later than the first day of the relevant Interest Period, the Calculation Agent will cause (x) the relevant Floating Rate of Interest and the relevant Interest Amount determined by it, together with the relevant Interest Payment Date in relation to such Interest Period, to be notified to the Issuer, the Relevant Agent and the Paying Agents, and (y) the relevant Floating Rate of Interest determined by it to be notified to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 14 (*Notices*).

If the Notes are to be redeemed pursuant to clause (b), (c), (d) or (e) of Condition 7 (*Redemption and Purchase*) and, in the case of Fixed Rate/Floating Rate Notes, the Early Redemption Date falls in the Floating Rate Period, the Calculation Agent shall calculate any interest amount payable on the Early Redemption Date and cause such interest amount to be notified to Issuer, the Guarantor, the Relevant Agent and the Paying Agents and to any stock exchange or other relevant authority on which the Notes are at the relevant time listed and to be published in accordance with Condition 14 (*Notices*) no later than two Business Days prior to the Early Redemption Date.

(vi) *Notifications, etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes this Condition 6(d), will (in the absence of wilful misconduct, bad faith and manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Relevant Agent, the Paying

Agents and the Holders, and (in the absence of wilful misconduct, bad faith and gross negligence) no liability to the Issuer, the Guarantor or the Holders will attach to the Calculation Agent in connection with the exercise or non-exercise by the Calculation Agent of its powers, duties and discretions under this Condition 6(d).

## 7. REDEMPTION AND PURCHASE

### (a) *Final redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on the Maturity Date at the Final Redemption Amount, together with accrued and unpaid interest thereon to but excluding (or, in the case of Swiss Franc Notes, to and including) the Maturity Date, if any.

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

(i) Subject to clause (f) of this Condition 7, upon the occurrence of a Tax Event at any time after the Issue Date, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on the relevant Early Redemption Date at the Tax Redemption Amount, together with any accrued and unpaid interest thereon to but excluding (or, in the case of Swiss Franc Notes, to and including) such Early Redemption Date.

(ii) A "**Tax Event**" will have occurred if the Issuer in making any payments on the Notes or (if a demand were to be made under the Guarantee) the Guarantor in making any payments under the Guarantee (A) has paid, or will or would on the next payment date be required to pay, Additional Amounts, or (B) has paid, or will or would be required to pay, any additional Tax in respect of the Notes or the Guarantee, as applicable, in the case of each of subclauses (A) and (B) of this subclause (ii), as a result of any changes in, or amendment to, the laws or regulations of a Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, including, without limitation, any treaty to which a Tax Jurisdiction is a party, or any generally published application or interpretation of such laws (including, without limitation, a decision of any court or tribunal, any generally published application or interpretation of such laws by any relevant tax authority or any generally published pronouncement by any relevant tax authority), and the Issuer or the Guarantor, as the case may be, cannot avoid the foregoing by taking measures reasonably available to it.

### (c) *Early redemption at the option of the Issuer (Issuer Call)*

The relevant Pricing Supplement indicates whether the Notes are subject to redemption at the option of the Issuer prior to the Maturity Date (other than upon a Tax Event, a Make-Whole Redemption or an Ineligibility Issuer Call) (an "**Issuer Call**"). If the Issuer Call is specified as being applicable in the relevant Pricing Supplement, then, subject to clause (f) of this Condition 7, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on any Optional Redemption Date at the Optional Redemption Amount, together with any accrued and unpaid interest thereon to but excluding (or, in the case of Swiss Franc Notes, to and including) such Optional Redemption Date.

### (d) *Early redemption at the option of the Issuer (Make-Whole Redemption)*

The relevant Pricing Supplement indicates whether the Notes are subject to redemption at the option of the Issuer prior to the Maturity Date (other than upon a Tax Event, an Issuer Call or an Ineligibility Issuer Call) (a "**Make-Whole Redemption**"). If Make-Whole Redemption is specified as being applicable in the relevant Pricing Supplement, then, subject to clause (f) of this Condition 7, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on any Make-Whole Redemption Date at

the Make-Whole Redemption Amount, together with any accrued and unpaid interest thereon to but excluding (or, in the case of Swiss Franc Notes, to and including) such Make-Whole Redemption Date.

(e) ***Early redemption due to an Ineligibility Event***

- (i) The relevant Pricing Supplement indicates whether the Notes are subject to redemption at the option of the Issuer upon the occurrence of an Ineligibility Event (an "**Ineligibility Issuer Call**"). If the Ineligibility Issuer Call is specified as being applicable in the relevant Pricing Supplement and an Ineligibility Event has occurred and is continuing, then, subject to clause (f) of this Condition 7, the Issuer may elect, in its sole discretion, to redeem the Notes, in whole but not in part, on any Ineligibility Event Redemption Date at the Ineligibility Event Redemption Amount, together with any accrued and unpaid interest thereon to but excluding (or, in the case of Swiss Franc Notes, to and including) such Ineligibility Event Redemption Date.
- (ii) An "**Ineligibility Event**" will have occurred if as a result of a change in the Capital Adequacy Ordinance and/or FSB TLAC Standard after the Issue Date the Notes cease to be eligible in their entirety to be treated as both (A) debt instruments for loss absorbency in the course of insolvency measures (*Schuldinstrumente zur Verlusttragung bei Insolvenzmassnahmen*) under the Capital Adequacy Ordinance and (B) External TLAC under the FSB TLAC Standard.

(f) ***Conditions for early redemption***

- (i) If the Issuer elects to redeem the Notes pursuant to clause (b), (c), (d) or (e) of this Condition 7, the Issuer shall give the Holders not less than 30 and not more than 60 days' (or such other period as may be specified in the relevant Pricing Supplement) prior notice in accordance with Condition 14 (*Notices*) (an "**Early Redemption Notice**"), which notice will, subject to subclause (iv) of this Condition 7(f), be irrevocable and must specify (x) the clause of this Condition 7 pursuant to which the redemption is to be made, (y) if any Registered Definitive Certificates have been issued, the method by which Notes to be redeemed will be tendered, and (z) the date (which shall be a Business Day) on which the Issuer will redeem the Notes pursuant to such clause of this Condition 7 (such specified date, the "**Early Redemption Date**").
- (ii) The Issuer may only redeem the Notes pursuant to clause (b), (c), (d) or (e) of this Condition 7 if FINMA has approved such redemption on or prior to the relevant Early Redemption Date, if such approval is then required under applicable Swiss laws and regulations.
- (iii) If the Issuer elects to redeem the Notes pursuant to clause (b) or (e) of this Condition 7, then prior to the publication of the relevant Early Redemption Notice pursuant to subclause (i) of this Condition 7(f), the Issuer shall deliver to the Relevant Agent a certificate signed by two Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem under clause (b) of this Condition 7 is satisfied and the reasons therefor and such certificate will be conclusive and binding on the Holders.
- (iv) Notwithstanding the foregoing, if the Issuer has delivered an Early Redemption Notice pursuant to this Condition 7, but, prior to the payment of the redemption amount with respect to such redemption, a Restructuring Event occurs, then such Early Redemption Notice will be automatically rescinded and will be of no force and effect, such redemption will be cancelled, payment of the redemption amount in respect of such Early Redemption Notice will no longer be due and payable and no such redemption of the Notes will take place.



(g) **Purchases**

The Issuer or any other member of the Group or any of their respective affiliates may at any time purchase Notes at any price in the open market or otherwise, *provided* that, other than in the case of purchases made in connection with stabilisation measures in compliance with applicable law or in connection with any market making in the Notes, FINMA has approved such purchase (if such approval is then required under applicable Swiss laws and regulations) on or prior to the date of such purchase. Any Notes so purchased may, at the option of the Issuer, be held, reissued, resold or surrendered to the Relevant Agent for cancellation.

(h) **Cancellation**

All Notes redeemed in accordance with this Condition 7 will be cancelled and may not be reissued or resold. All Notes purchased and surrendered to the Relevant Agent pursuant to clause (g) of this Condition 7 shall be immediately cancelled upon surrender and may not be reissued or sold.

8. **PAYMENTS; AGENTS**

- (a) All payments required to be made under the Notes will be made available in good time in freely disposable funds in the Specified Currency, which will be placed at the free disposal of the Relevant Agent on behalf of the Holders. If the Scheduled Due Date for any payment (whether in respect of principal, interest or otherwise) in respect of the Notes is not a Business Day, then the Holders will not be entitled to payment thereof until the first Business Day immediately following the Scheduled Due Date, and the Holders will not be entitled to any additional sum in relation to such payment. All payments required to be made under the Notes (including, without limitation, any Additional Amounts) shall be made to the Holders in the Specified Currency without collection costs, without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the relevant Holder and without certification, affidavit or the fulfilment of any other formality; *provided, however*, that, in the case of Registered Definitive Certificates, such Notes must be presented and, in the case of redemption, surrendered at the Specified Office of the relevant Paying Agent as a condition to receipt of any such payment.
- (b) The receipt by the Relevant Agent of the due and punctual payment of funds in the Specified Currency will release the Issuer from its obligations under the Notes to the extent of such payment.
- (c) Subject to clause (d) of this Condition 8,
- (i) the Issuer and the Guarantor reserve the right to terminate the appointment of any Agent, as well as to appoint or, after any such appointment, to terminate the appointment of, one or more other paying agents to carry out any payment, calculation or other functions in respect of the Notes (each, a "**Paying Agent**"), *provided* that (A) so long as any Note is outstanding, (x) in the case of Registered Notes, there will at all times be a Fiscal Agent and a Registrar, (y) in the case of Uncertificated Notes, there will at all times be a Principal Paying Agent, and (z) in the case of Floating Rate Notes and (on or after the Interest Determination Date for the first Interest Period) Fixed Rate/Floating Rate Notes, there will always be a Calculation Agent, and (B) in the case of Notes listed on the SIX Swiss Exchange, for so long as the Notes are listed on the SIX Swiss Exchange, the Issuer and the Guarantor shall maintain a Paying Agent in Switzerland, which agent shall have an office in Switzerland and be a bank or securities dealer subject to supervision by FINMA, to perform the functions of a Swiss paying agent (the "**Swiss Paying Agent**"), and (C) in the case of Floating Rate Notes and Fixed Rate/Floating Rate Notes, any successor Calculation Agent must be a leading bank or financial institution that is experienced in the calculations or determinations to be made by the Calculation Agent; and

- (ii) if at any time (A) in the case of Registered Notes, the Fiscal Agent or the Registrar, (B) in the case of Uncertificated Notes, the Principal Paying Agent, (C) in the case of Floating Rate Notes and (on or after the Interest Determination Date for the first Interest Period) Fixed Rate/Floating Rate Notes, the Calculation Agent, or (D) any Paying Agent, if such Paying Agent is the only Paying Agent located in a place where the Issuer is required to maintain a Paying Agent under the Terms and Conditions of the Notes, (x) becomes incapable of acting, or (y) is adjudged bankrupt or insolvent, or files a voluntary petition in bankruptcy, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of all or any substantial part of its property, or admits in writing its inability to pay or meet its debts as they mature, or if an order of any court is entered approving any petition filed by or against it under the provisions of any applicable bankruptcy or insolvency law, or if a receiver of it or of all or any substantial part of its property is appointed, or if any public officer takes charge or control of it or of its property or affairs for the purpose of rehabilitation, conservation or liquidation (any such event, an "**Agent Insolvency Event**"), then the Issuer and the Guarantor will terminate the appointment of such Agent in accordance with the Agency Agreement and appoint a successor Agent; and
- (iii) in the case of Floating Rate Notes and Fixed Rate/Floating Rate Notes, if at any time the Calculation Agent fails to duly calculate (A) the Floating Rate of Interest and the Interest Amount for any Interest Period or (B) if the Notes are to be redeemed pursuant to clause (b), (c), (d) or (e) of Condition 7 (*Redemption and Purchase*) and, in the case of Fixed Rate/Floating Rate Notes, the Early Redemption Date falls in the Floating Rate Period, the interest amount payable on the Early Redemption, then the Issuer and the Guarantor will terminate the appointment of the Calculation Agent in accordance with the Agency Agreement and appoint a successor Calculation Agent; *provided, however*, that, if the Calculation Agent duly calculates such Floating Rate of Interest, Interest Amount or interest amount payable on the Early Redemption Date, as the case may be, prior to its termination (and the appointment of its successor) taking effect in accordance with clause (d) of this Condition 8, the Issuer and the Guarantor may elect, in their sole discretion and upon written notice to the Holders pursuant to Condition 14 (*Notices*), to cancel such termination (and appointment).
- (d) Any appointment or termination of appointment of, or any resignation by, any Agent may only take effect not more than 45 and not less than 30 days after the Issuer has notified the Holders of such appointment, termination or resignation pursuant to Condition 14 (*Notices*); *provided, however*, that, in the case of the termination of an Agent with respect to which an Agent Insolvency Event has occurred, such termination may take effect prior the expiry of such 30-day notice period, so long as a successor Agent has been appointed to the extent required by the immediately succeeding sentence. Notwithstanding the foregoing, any termination of the appointment of, or resignation by, (i) in the case of Registered Notes, the Fiscal Agent or the Registrar, (ii) in the case of Uncertificated Notes, the Principal Paying Agent, (iii) any Paying Agent, if such Paying Agent is the only Paying Agent located in a place where the Issuer is required to maintain a Paying Agent under the Terms and Conditions of the Notes, or (iv) in the case of Floating Rate Notes and (on or after the Interest Determination Date for the first Interest Period) Fixed Rate/Floating Rate Notes, the Calculation Agent, may not take effect until the Issuer and the Guarantor have appointed a successor Fiscal Agent, Registrar, Principal Paying Agent, Paying Agent or Calculation Agent, as applicable; *provided, however*, that, if no such successor has been appointed within 30 days of the scheduled effectiveness of such termination or resignation, any Holder (on behalf of itself and all others similarly situated) or, pursuant to and in accordance with the Agency Agreement, (A) in the case of Registered Notes, the Fiscal Agent or the Registrar, (B) in the case of Uncertificated Notes, the Principal Paying Agent, (C) any Paying Agent or (D) in the case of Floating Rate Notes and Fixed Rate/Floating Rate Notes, the

Calculation Agent, as the case may be, may petition any court of competent jurisdiction for the appointment of a successor, at the expense of the Issuer.

- (e) Should the Swiss Resolution Authority order any Restructuring Protective Measures that result in the deferment of any payments of principal of, and/or interest on, the Notes when otherwise due and payable, such payments will be deferred for the period for which the Swiss Resolution Authority requires any such deferment (with respect to any such payment, the "**Restructuring Deferral Period**"), and the Holders will not be entitled to any additional sum in relation to such deferred payment. Any payment of principal of, and/or interest on, the Notes that was due or became due, or which would otherwise have become due, but was not paid in accordance with the immediately preceding sentence will be payable (only to the extent such principal and/or interest was not subsequently fully or partially written-down and cancelled and/or converted into equity of UBS Group AG during the relevant Guarantor Restructuring Proceedings) on the later of (i) the first Interest Payment Date immediately following the relevant Restructuring Deferral Period and (ii) the date that is 30 days after the date on which the relevant Restructuring Deferral Period ended. If the Swiss Resolution Authority orders any Restructuring Protective Measures that result in the deferment of any payments of principal of, and/or interest on, the Notes when otherwise due and payable, the Issuer will provide written notice to the Fiscal Agent and the Holders of such order and deferral in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

## 9. TAXATION

- (a) All payments to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, amounts paid by the Guarantor under the Guarantee and payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Tax Jurisdiction or any political subdivision thereof or any authority of or in a Tax Jurisdiction or any political subdivision thereof having the power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.
- (b) In the event that any payment to be made by or on behalf of the Issuer in respect of the Notes (including, for the avoidance of doubt, amounts paid by the Guarantor under the Guarantee and payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in a Tax Jurisdiction, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received in respect of the Notes if no such withholding or deduction had been required ("**Additional Amounts**").
- (c) No Additional Amounts will be payable by the Issuer or the Guarantor pursuant to clause (b) of this Condition 9 in relation to any Note:
  - (i) if the relevant Holder is liable for such Taxes on such Note as a result of having some connection with the relevant Tax Jurisdiction other than its mere ownership or possession of such Note or the receipt of principal or interest in respect thereof; or
  - (ii) if such Taxes are a result of such Note having been presented for payment (where presentment is required) more than 30 days after the Relevant Date, except to the extent that the Holder would have been entitled to receive the Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or
  - (iii) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the US Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation

enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code ("FATCA"); or

(iv) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 17 December 2014, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or

(v) to the extent any combination of subclauses (i) through (iv) above applies.

(d) Any reference in the Terms and Conditions of the Notes to amounts payable by the Issuer in respect of the Notes includes (i) any Additional Amount payable pursuant to this Condition 9 and (ii) any sum payable pursuant to an obligation taken in addition to or in substitution for the obligation in this Condition 9.

#### 10. **STATUTE OF LIMITATIONS**

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

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

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

#### 12. **EVENTS OF DEFAULT**

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

(a) the Issuer fails to pay the principal amount of, or any interest on, any Note if and when the same becomes due and payable under the Notes, and such failure continues unremedied by the Issuer or the Guarantor for a period of 30 days; or

(b) the Issuer or the Guarantor fails to observe or perform any other covenant, condition, or agreement contained in the Terms and Conditions of the Notes or the Guarantee, respectively, and such failure continues unremedied for a period of 60 days after written notice thereof from any Holder to the Issuer; or

(c) any order is made by any competent court or other authority or resolution passed by the Issuer or the Guarantor for the dissolution or winding-up, of the Issuer or the Guarantor, as applicable, or for the appointment of a liquidator, receiver, administrator or manager of the Issuer or the Guarantor, as applicable, or of all or a substantial part of their respective assets, or anything analogous occurs, in any jurisdiction, to the Issuer or the Guarantor, other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger; or

(d) the Issuer or the Guarantor stops payment or is unable to, or admits to creditors generally its inability to, pay its debts as they fall due, or is adjudicated or found bankrupt or insolvent, or enters into any composition or other arrangements with its creditors generally; or

- (e) unless the Guarantor has been substituted for the Issuer as principal debtor under the Notes pursuant to an Issuer Substitution in accordance with Condition 16 (*Issuer Substitution*) or the Issuer and the Guarantor have merged, the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect;

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

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

### 13. **REPLACEMENT**

If any Registered Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar upon payment by the claimant of the fees, costs and expenses incurred by the Registrar and the Issuer in connection therewith and on such terms as to evidence, security and indemnity (which may provide, among other things, that if the Registered Certificate allegedly or actually lost, stolen or destroyed is subsequently presented for payment, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Registered Certificate subsequently presented) as the Issuer or the Relevant Agent may require. Mutilated or defaced Registered Certificates must be surrendered before replacements will be issued.

### 14. **NOTICES**

#### (a) *Notes listed on the SIX Swiss Exchange*

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

If the Notes are for any reason no longer listed on the SIX Swiss Exchange:

- (i) in the case of Uncertificated Notes, notices to Holders shall be given by communication through the Principal Paying Agent to SIS (or such other Intermediary) for forwarding to the Holders, which notice will be deemed to be validly given on the date of communication to SIS (or such Intermediary); and
- (ii) in the case of Registered Notes:
  - (A) if such Registered Notes are represented by one or more Registered Global Certificates deposited with a custodian for DTC, notices to

Holders shall only be required to be given in accordance with clause (c) of this Condition 14; and

- (B) if the Registered Global Certificate(s) have been exchanged for Registered Definitive Certificates, notices to Holders will be sent by first class mail to the Holders at their respective addresses as recorded in the Register, which notice will be deemed to be validly given on the fourth Business Day after the date of such mailing.

(b) ***Notes not listed on the SIX Swiss Exchange***

In the case of Notes that are not listed on the SIX Swiss Exchange, notices to Holders shall be given by the Issuer in the manner specified in the relevant Pricing Supplement.

(c) ***Registered Notes represented by Registered Global Certificates***

In the case of Registered Notes, so long as such Registered Notes are represented by one or more Registered Global Certificates deposited with a custodian for DTC, any notices required to be given by the Issuer to the Holders hereunder shall also be given to the Indirect Holders through the Fiscal Agent to DTC for forwarding to the Indirect Holders. Any such notice will be deemed to be validly given on the date of delivery to DTC.

15. **AMENDMENT**

The Issuer may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, make any amendment to the Terms and Conditions of the Notes or the Notes that it considers to be (a) necessary or desirable to give effect to (i) in the case of Floating Rate Notes and Fixed Rate/Floating Rate Notes, any Alternative Reference Rate determined in accordance with subclause (d)(ii) of Condition 6 (*Interest*) (including any alternative method for determining the Alternative Reference Rate if such rate is unavailable on the relevant Interest Determination Date described in subclause (d)(ii)(E)(1)(II) of Condition 6 (*Interest*)), or (ii) the provisions of Condition 16 (*Issuer Substitution*), or (b) formal, minor or technical in nature, or (c) necessary to correct a manifest error or (d) not materially prejudicial to the interests of the Holders.

The Issuer shall notify the Holders of any amendments made pursuant to this Condition 15 in accordance with Condition 14 (*Notices*), which notice shall state the date on which such amendment will be effective. Any amendment made pursuant to this Condition 15 will be binding on the Holders in accordance with its terms.

16. **ISSUER SUBSTITUTION**

(a) ***Voluntary Issuer Substitution***

The Issuer (for purposes of this Condition 16, the "**Current Issuer**") may, without the consent of the Holders, substitute UBS Group AG or any other entity (whether or not such entity is organised under the laws of Switzerland) (such substitute entity, the "**Substitute Issuer**") for itself as principal debtor under the Notes (such substitution, a "**Voluntary Issuer Substitution**") at any time upon giving no more than 30 and no less than 10 days' notice to the Holders in accordance with Condition 14 (*Notices*), *provided* that:

- (i) at the time the Current Issuer sends notice of such Voluntary Issuer Substitution to the Holders,
  - (A) if the Substitute Issuer is UBS Group AG, interest on the Notes on the next payment date under the Notes would be payable without the deduction by the Substitute Issuer of Swiss withholding tax after giving effect to such Voluntary Issuer Substitution; and
  - (B) if the Substitute Issuer is not UBS Group AG, neither the Substitute Issuer nor the Guarantor would on the next payment due under the Notes be required to pay any Additional Amounts under the Notes or

the Guarantee, respectively, after giving effect to such Voluntary Issuer Substitution that they would not have been required to pay if such Voluntary Issuer Substitution were not to occur;

- (ii) if the Substitute Issuer is not UBS Group AG, the Current Issuer is not in default in respect of any amount payable under the Notes at the time of such substitution;
- (iii) if the Current Issuer is UBS Group AG, UBS Group AG has issued a guarantee for the benefit of the Holders on substantially the same terms as the Guarantee;
- (iv) if the Substitute Issuer is not UBS Group AG, (A) an exemption exists from the requirement to register the Substitute Issuer as an investment company under the US Investment Company Act, and (B) at least 95 per cent. of the Substitute Issuer's capital and voting rights are held, directly or indirectly, by UBS Group AG;
- (v) the Current Issuer and the Substitute Issuer (A) have entered into such documents (the "**Substitution Documents**") as are necessary to give effect to such substitution and pursuant to which (x) the Substitute Issuer assumes the obligations of the Current Issuer under the Notes and the Agency Agreement and (y) the Current Issuer and the Substitute Issuer agree to indemnify each Holder against any tax, duty, fee or governmental charge imposed on or relating to such act of assumption, and any costs or expenses of such act of assumption, and (B) procure that all action, conditions and things required to be taken, fulfilled and done (including, without limitation, the obtaining of any necessary consents) to ensure that the Substitution Documents represent valid, legally binding and enforceable obligations of the Substitute Issuer have been taken, fulfilled and done and are in full force and effect;
- (vi) the Current Issuer shall have obtained legal opinions containing no untoward qualifications from independent legal advisors in the respective countries in which the Substitute Issuer and the Current Issuer are incorporated, and (if different) in Switzerland, to the effect that (A) the obligations of the Substitute Issuer are its legal, valid and binding obligations, (B) if the Substitute Issuer is not UBS Group AG, the obligations of UBS Group AG under the Guarantee or under the guarantee described in subclause (iii) of this clause (a), as applicable, are its legal, valid and binding obligations, and (C) all approvals and consents referred to in subclause (x) of this clause (a) have been obtained;
- (vii) each competent listing authority and/or stock exchange, on or by which the Notes are admitted to listing and/or trading shall have confirmed that, following the proposed substitution of the Substitute Issuer, the Notes will continue to be admitted to listing and/or trading by the relevant competent listing authority and/or stock exchange;
- (viii) if the Substitute Issuer is not organised under the laws of Switzerland, the Substitute Issuer has appointed a process agent as its agent in Switzerland to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes;
- (ix) if the Substitute Issuer is not UBS Group AG, FINMA has approved such substitution (if such approval is then required under applicable Swiss laws and regulations); and
- (x) the Current Issuer and the Substitute Issuer have obtained all necessary governmental and other approvals and consents for such substitution and for the performance by the Substitute Issuer of its obligations under the Substitution Documents.

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

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

(b) ***Restructuring Issuer Substitution***

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

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

Upon the occurrence of a Restructuring Event, the Issuer will provide written notice to the Fiscal Agent and the Holders of such Restructuring Event in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

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

Each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, whether it acquires such interest in the initial offering and sale of the Notes or in the secondary market, acknowledges, agrees to be bound by and consents to the exercise, without any notice to such Holder or Indirect Holder, of any Swiss Resolution Power with respect to UBS Group AG that results in the write-down and cancellation and/or conversion into equity of UBS Group AG of the entire, or a portion of the, principal amount of, and/or accrued interest on, the Notes, irrespective of whether such amounts have already become due and payable prior to such action, and that after any such write-down, cancellation or conversion, any amount written down, cancelled or converted will no longer be required to be paid. In addition, each Holder and



Indirect Holder, by acceptance of any direct or beneficial interest in a Note, acknowledges, agrees to be bound by and consents to any Restructuring Issuer Substitution and to the ordering of any Restructuring Protective Measures that results in the deferment of payment of principal of, and/or interest on, the Notes. Each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Note, further acknowledges, agrees and consents that its rights are subject to any such exercise of any Swiss Resolution Power or any ordering of Restructuring Protective Measures, and if necessary, the Holder's or Indirect Holder's rights will be altered without notice and without such Holder's consent, including, without limitation, by means of an amendment or modification to the Notes and the Terms and Conditions of the Notes so as to give effect to any such exercise.

Each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Registered Note, consents to any and all necessary action taken, if required, by the Fiscal Agent, DTC or any other Person to implement any such exercise of any Swiss Resolution Power and/or ordering of any Restructuring Protective Measures, without any further action or direction on the part of such Holder or Indirect Holder. In addition, each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Registered Note, waives any and all claims against any such Person for, agrees not to initiate a suit against any Person in respect of, and agrees that no such Person shall be liable for, any action that such Person takes or abstains from taking, in either case in accordance with any such exercise. Each Holder and Indirect Holder, by acceptance of any direct or beneficial interest in a Registered Note, further acknowledges and agrees that the Fiscal Agent is acting solely as the agent of the Issuer and the Guarantor and does not assume any obligations towards or relationship of agency or trust for or with any Holder or Indirect Holder.

For the avoidance of doubt, this acknowledgement, agreement and consent does not qualify as a waiver of any rights the Holder or Indirect Holder of Notes may retain under the applicable banking regulation pursuant to which any Swiss Resolution Power is exercised.

18. **FURTHER ISSUES**

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

19. **CURRENCY INDEMNITY**

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

20. **RULE 144A INFORMATION**

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

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

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

22. **GOVERNING LAW AND JURISDICTION**

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

## USE OF PROCEEDS

The Issuer will use the net proceeds of the issue of each Series of Notes to provide funds to UBS Group AG and its subsidiaries. The members of the Group will use these funds for general corporate purposes, including providing funds to the subsidiaries of UBS Group AG from time to time. The Issuer may provide these funds to members of the Group, and such Group members may provide such funds so received to other members of the Group, from time to time in the form of senior or subordinated debt, in the form of equity contributions, or otherwise, including on terms that may constitute "internal loss absorbing capital" of the subsidiaries of UBS Group AG. Initially, the Issuer will lend all the net proceeds of any Tranche of Notes to the member or members of the Group specified in the relevant Pricing Supplement under one or more loan agreements, as described in more detail in "*Description of the Issuer—Assets*".

## DESCRIPTION OF THE ISSUER

### *Introduction*

The Issuer, UBS Group Funding (Switzerland) AG, was incorporated for an unlimited duration in Switzerland on 14 November 2016, when it was entered into the Commercial Register of Canton Zurich, under registration number CHE-372.844.530. The Issuer is domiciled in Switzerland and operates under the Swiss Code of Obligations as an Aktiengesellschaft, a stock corporation.

The address of the Issuer's registered office is at Bahnhofstrasse 45, 8001 Zurich, Switzerland. The Issuer's articles of association may be inspected at its registered office. The Issuer has unlimited corporate capacity under Swiss law.

The Issuer's share capital amounts to CHF 100,000.00, consisting of 1,000,000 fully paid-up registered shares with a nominal value of CHF 0.10 each. The entire issued share capital of the Issuer is held by the Guarantor.

### *Principal Activities*

The Issuer is a special purpose vehicle and its business purpose, as stated in article 2 of its articles of association, is the issuance of capital market instruments designed to fulfil, according to applicable laws and regulations, the requirements of additional tier 1 capital and/or of debt instruments for loss absorbency in the course of insolvency measures of UBS Group AG or one or more of its consolidated subsidiaries, and the onlend of the proceeds of such issuances to one or more group companies. The onlends may be made in the form of loans or other types of debt or equity financing whose conditions must not necessarily satisfy market conditions. The Issuer 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.

As a finance company subsidiary of UBS Group AG, the Issuer relies upon the exemption from the US Investment Company Act of 1940 provided by Rule 3a-5 under that act.

### *Directors*

The current directors of the Issuer and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Nationality</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Grünenfelder, Beda	Swiss	Bahnhofstrasse 45, 8001 Zurich, Switzerland	Employee of UBS AG
Mayer, Achim	German	Bahnhofstrasse 45, 8001 Zurich, Switzerland	Employee of UBS AG
Risi, Andreas	Swiss	Bahnhofstrasse 45, 8001 Zurich, Switzerland	Employee of UBS AG
Walser, Urs	Swiss	Bahnhofstrasse 45, 8001 Zurich, Switzerland	Employee of UBS AG
Wightman, Stephen Glyn	British	Bahnhofstrasse 45, 8001 Zurich, Switzerland	Employee of UBS AG
Gardner IV, Kirtland, alias Kirt	United States	Bahnhofstrasse 45, 8001 Zurich, Switzerland	Employee of UBS AG
Pellerani, Carlo	Italian	Bahnhofstrasse 45, 8001 Zurich, Switzerland	Employee of UBS AG

The Issuer is not aware of any potential conflicts of interest between the duties to the Issuer of the persons listed as directors in the table above and their private interests or duties.

The Issuer is managed and controlled in Switzerland.

## **Assets**

The only significant assets of the Issuer are expected to be cash balances representing its contributed equity capital and/or the loans (including accrued cash balances from interest payments thereunder) to, or other investments (whether in the form of debt, equity or otherwise) in UBS Group AG and its subsidiaries (UBS Group AG together with its subsidiaries, the "**Group**") that the Issuer is expected to make from time to time with the net proceeds of any Notes or other debt securities that it may issue from time to time. Initially, the Issuer will on-lend the net proceeds it receives from the issuance of any Notes to the member or members of the Group specified in the relevant Pricing Supplement pursuant to one or more separate internal loans for each Tranche of Notes. The Issuer will receive an interest-mark-up on each such loan, which it will use to cover issuance costs, administrative costs and the guarantee fee payable to UBS Group AG in connection with the relevant Tranche of Notes and Guarantee, respectively, and be required to use to repay amounts outstanding under the credit facility described below over time. However, the relevant borrower and the Issuer may amend the loan agreement with respect to any such internal loan at any time, and each such loan agreement may be replaced, in whole or in part, with other investments in, or extensions of credit to, any member of the Group on any terms that the Issuer and such Group member may consider beneficial to it at the relevant time.

The Issuer will lend 100 per cent. of the net proceeds it receives from the issuance of any Notes to the member or members of the Group specified in the relevant Pricing Supplement on the relevant issue date pursuant to one or more separate internal loans for each Tranche of Notes, and at all times thereafter the Issuer is expected to lend at least 85 per cent. of such net proceeds and the net proceeds of all other debt securities issued by it from time to time to UBS Group AG or any of its other subsidiaries, so long as the Issuer continues to rely upon the exemption provided by Rule 3a-5 under the US Investment Company Act.

The Issuer will have certain rights under the keep-well agreement described under "*Liabilities*" below. In addition, UBS AG has granted a credit facility to the Issuer to enable the Issuer to cover issuance and other expenses under or in connection with any Notes. UBS AG and the Issuer may modify or terminate this credit facility at any time. The Issuer has no other material assets or resources.

If a third party replaces the Issuer in its capacity as issuer of the Notes pursuant to an Issuer Substitution, it is expected that such third party will simultaneously replace the Issuer in its capacity as borrower under the credit facility described above and as lender of the related internal loans. For more details about the effects of an Issuer Substitution on the internal loans, see "*Risk Factors—Risks Relating to the Issuer—The Issuer will have no significant assets other than cash balances representing its contributed equity capital and/or loans to, or other investments in, other members of the Group*" on page 16 of this Base Prospectus.

As the direct parent of the Issuer, UBS Group AG may, but is not obligated to, provide the Issuer with further resources, from time to time, to enable the Issuer to meet its obligations as they become due. UBS Group AG makes no commitment to investors in any Notes that it will do so at any time, and investors should not assume that it will do so.

## **Publication and Notices**

The Swiss Commercial Gazette (*Schweizerisches Handelsamtsblatt*) is the official medium for publication of notices and announcements by the Issuer. The Board of Directors of the Issuer may elect further media for publication of notices and announcements.

## **Liabilities**

The only expected liabilities of the Issuer are any Notes issued and other debt securities that have been issued or will be issued by the Issuer from time to time, and the Issuer's ordinary operating expenses. UBS Group AG will undertake to provide the Issuer with sufficient funds to enable the Issuer to pay its ordinary operating expenses as well as any payment of principal, interest, or other expenses in connection with debt securities issued by it (including any Notes), pursuant to a keep-well agreement between UBS Group AG and the Issuer. Such undertaking will cease to apply upon the occurrence of certain events, including upon the opening of Restructuring Proceedings or liquidation proceedings with respect to UBS Group AG. This arrangement will exist solely for the benefit of the Issuer and may not be enforced by any other party. UBS Group AG and the Issuer may modify or terminate this arrangement at any time.

### ***Distributions and Dividends***

The Issuer has not paid any dividends or made any distributions (as those terms are defined under Swiss law) since its incorporation.

### ***Financial Statements***

The Issuer was incorporated on 14 November 2016 and has produced standalone semi-annual financial statements for the period ended 30 June, 2017, published on 28 July 2017, and audited standalone financial statement as of 31 December 2017 and income statement for the period from incorporation to 31 December 2017, published on 9 March 2018

### ***Auditors***

The auditors of the Issuer are Ernst & Young AG, which are authorised and regulated by the Federal Audit Oversight Authority, and have their registered office at Aeschengraben 9, 4051 Basel, Switzerland.

### ***Recent and Future Developments***

The Issuer issued the following notes that qualify as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) on 20 March 2017, which are guaranteed by the Guarantor:

- EUR 1,750,000,000 Floating Rate Senior Notes due September 2022

The Issuer issued the following notes that qualify as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) on 23 March 2017, which are guaranteed by the Guarantor:

- USD 2,000,000,000 3.491 per cent. Senior Notes due May 2023
- USD 2,000,000,000 4.253 per cent. Senior Notes due March 2028
- USD 1,000,000,000 Floating Rate Senior Notes due May 2023

The Issuer issued the following notes that qualify as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) on 18 May 2017, which are guaranteed by the Guarantor:

- CHF 400,000,000 0.625 per cent. Senior Notes due May 2024

The Issuer issued the following notes that qualify as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) on 15 August 2017, which are guaranteed by the Guarantor:

- USD 2,000,000,000 Fixed Rate/Floating Rate Senior Notes due August 2023
- USD 1,250,000,000 Floating Rate Senior Notes due August 2023

The Issuer issued the following notes that qualify as additional tier 1 capital on 31 January 2018, which are guaranteed by the Guarantor:

- USD 2,000,000,000 5.00 per cent. Tier 1 Capital Notes

UBS substituted the Issuer for UBS Group Funding (Jersey) Limited (the "Jersey Issuer") as issuer under (A) the EUR 750,000,000 2.125 per cent. Senior Notes due March 2024 with an effective date as of 22 May 2017 and (B) all other outstanding notes issued by the Jersey Issuer that qualify as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*), with the aggregate amount, as of the effective date of the issuer substitution, of (i) such notes denominated in US dollars being USD 11.8 billion, (ii) such notes denominated in euros being EUR 3.75 billion and (iii) such notes denominated in Swiss francs being CHF 450 million, with an effective date as of 24 May 2017.

In addition, subject to further regulatory review, UBS Group AG may in the future substitute the Issuer for itself, such that the Issuer will become the issuer under all UBS Group AG's outstanding notes qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*). In that case, UBS Group AG would provide a corresponding guarantee of the obligations of the Issuer under those notes.

Furthermore, it is currently expected that some or all of the activities described under "Principal Activities" above will be transferred to other members of the Group. In particular, UBS Group AG currently expects to cause the Issuer to effect a Voluntary Issuer Substitution so that UBS Group AG would become the issuer under all outstanding debt securities issued by the Issuer, including any Notes, after certain changes to Swiss tax law have come into effect. See "*Risk Factors - The Issuer may, without consent of the holders, substitute the Guarantor or another controlled subsidiary of UBS Group AG as the Issuer under the Notes*" on page 6 of this Base Prospectus.

### **Regulatory Status**

The Issuer has been designated as a "relevant group company" (*wesentliche Gruppengesellschaft*) pursuant to art. 2bis paragraph 1 lit. b of the Swiss Banking Act. As a result, the Swiss Resolution Authority is able to exercise broad statutory powers with respect to the Issuer, including ordering Protective Measures, opening Restructuring Proceedings (and exercising any Swiss Resolution Power in connection therewith), and instituting liquidation proceedings.

If Restructuring Proceedings are opened with respect to the Issuer, the Swiss Resolution Authority may exercise its Swiss Resolution Powers to, among other things, fully or partially write-down and cancel the principal amount of, and/or accrued interest on, debt instruments and/or convert debt instruments into equity of the Issuer. Furthermore, the Swiss Resolution Authority may order Protective Measures with respect to the Issuer if there is justified concern that the Issuer is over-indebted, has serious liquidity problems or, after the expiry of a deadline, applicable capital regulatory requirements are no longer fulfilled. Such Protective Measures may be ordered (i) outside and independent of any Restructuring Proceedings with respect to the Issuer or (ii) upon the opening of or during any Restructuring Proceedings with respect to the Issuer.

In its position paper on resolution of global systemically important banks of 7 August 2013, FINMA declared that its preferred resolution strategy for global systemically important financial groups consists of central resolution proceedings led by the bank's "home" supervisory and resolution authorities and focuses on the top-level group company (a so-called "single point of entry" resolution strategy). However, despite its stated preferred resolution strategy, the Swiss Resolution Authority has the discretion to open Restructuring Proceedings with respect to the Issuer prior to (or concurrently with) such proceedings being opened with respect to other group members and it cannot be excluded that it would do so. For more details, see "*Risk Factors—Risks Relating to the Issuer—If the Issuer experiences financial difficulties, the Swiss Resolution Authority will have the power to open Restructuring Proceedings or liquidation proceedings in respect of, and/or impose Protective Measures in relation to, the Issuer, which proceedings or measures may have a material adverse effect on the terms and market value of Notes and/or the ability of the Issuer to make payments thereunder*" on page 16 of this Base Prospectus.

In particular, if Restructuring Proceedings are opened with respect to the Issuer prior to or concurrently with the opening of Guarantor Restructuring Proceedings or Bank Restructuring Proceedings, the Swiss Resolution Authority may be able to exercise its Swiss Resolution Powers to, among other things, fully or partially write-down and cancel the principal amount of, and/or accrued interest on, the Notes and/or convert the Notes into equity of the Issuer. In such a case, despite such amount being written-down and/or converted, Holders will instead have a claim for such written-down or converted amount in full under the Guarantee (i.e., a so-called "**Residual Guarantee Claim**") and, accordingly, may demand payment from UBS Group AG for such Residual Guarantee Claim thereunder in accordance with the terms thereof. This also means that if the Swiss Resolution Authority opens Guarantor Restructuring Proceedings after the Notes are partially written-down and/or converted in connection with Restructuring Proceedings with respect to the Issuer, the Guarantor will be substituted for the Issuer as principal debtor in respect of the portion of the Notes that were not so written-down and/or converted and the Guarantee with respect to such portion of the Notes will cease to exist, but the Residual Guarantee Claims relating to the portion of the Notes that were so written-down and/or converted will (if not already satisfied) remain outstanding under the Guarantee. For detail on the effects that Guarantor Restructuring Proceedings may have on any such Notes and Residual Guarantee Claims, see "Risk Factors" beginning on page 1 of this Base Prospectus.

## DESCRIPTION OF THE GUARANTOR

### 1. Overview

UBS Group AG with its subsidiaries (together, the "**UBS Group**", or "**Group**" or "**UBS**") 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.<sup>1</sup> 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<sup>2</sup>.

The rating agencies Standard & Poor's, Fitch Ratings and Scope Ratings have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS Group AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from the abovementioned rating agencies may be attributed a plus or minus sign, which indicates the relative position within the respective rating class. UBS Group AG has long-term counterparty credit rating of A- (stable outlook) from Standard & Poor's, long-term issuer default rating of A+ (stable outlook) from Fitch Ratings and senior debt rating of A+ (stable outlook) from Scope Ratings.

The rating from Fitch Ratings has been issued by Fitch Ratings Limited; the rating from Standard & Poor's has been issued by Standard & Poor's Credit Market Services Europe Limited; and the rating from Scope Ratings has been issued by Scope Ratings AG. These entities are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended. An explanation of the significance of ratings may be obtained from the rating agencies. Generally, rating agencies base their ratings on such material and information, and such of their own investigations, studies and assumptions, as they deem appropriate. The ratings of UBS Group AG should be evaluated independently from similar ratings of other entities and from the rating of the Notes. A credit rating is not a recommendation to buy, sell or hold securities issued or guaranteed by the rated entity and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency.

No profit forecasts or estimates are included in this document.

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

Any statements regarding the competitive position of UBS Group AG or the Group contained in this document are made on the basis of the opinion of UBS Group AG or the Group.

### 2. Corporate Information

The legal and commercial name of the Guarantor is UBS Group AG.

UBS Group AG was incorporated on 10 June 2014, when it was entered in the Commercial Register of Canton Zurich. The registration number is CHE-395.345.924. UBS Group AG has an unlimited duration.

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<sup>1</sup> 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 for more information.

<sup>2</sup> Full-time equivalents.



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

According to article 2 of the Articles of Association of UBS Group AG (the "**Articles of Association**"), the purpose of UBS Group AG is to acquire, hold, manage and sell direct and indirect participations in enterprises of any kind, in particular in the area of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS Group AG may establish enterprises of any kind in Switzerland and abroad, hold equity interests in these enterprises, and conduct their management. UBS Group AG is authorised to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS Group AG may provide loans, guarantees and other kinds of financing and security for Group companies and borrow and invest money on the money and capital markets. The Articles of Association were last revised on 21 February 2017.

The address and telephone number of UBS Group AG's registered office is: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 11 11.

UBS Group AG shares are listed on the SIX Swiss Exchange and the New York Stock Exchange.

### 3. **Business Overview**

#### 3.1 **Organisational Structure of UBS Group**

UBS operates as a group with four business divisions and a Corporate Center. UBS Group AG is the parent company of UBS AG, and the holding company of UBS.

In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to TBTF 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 "*Risk Factors - UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements above.*"

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.

#### 3.2 **Business Divisions and Corporate Center**

UBS operates as a group with four business divisions (Global Wealth Management, Personal & Corporate Banking, Asset Management, and the Investment Bank) and a Corporate Center. 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 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-collateralised 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.

#### *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 organised 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 optimise 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.

### 3.3 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.

### 3.4 Recent Developments

#### 3.4.1 UBS's results as of and for the year ended 31 December 2017, as presented in the Annual Report 2017

##### *Results 2017 compared with results 2016*

Group: UBS recorded net profit attributable to shareholders of CHF 1,053 million in 2017, which included a net tax expense of CHF 4,139 million, mainly driven by a CHF 2,865 million net write-down of deferred tax assets ("DTAs") following a reduction in the US federal corporate tax rate after the enactment of the Tax Cuts and Jobs Act ("TCJA") in the US during the fourth quarter of 2017. In 2016, net profit attributable to shareholders was CHF 3,204 million, which included a net tax expense of CHF 805 million. Excluding the aforementioned net write-down of DTAs, net profit attributable to shareholders would have increased 22%. Profit before tax increased by CHF 1,178 million or 29% to CHF 5,268 million, reflecting higher operating income and a reduction in operating expenses. Operating income increased by CHF 747 million or 3%, mainly due to CHF 789 million higher net fee and commission income, primarily in UBS's wealth management businesses. Operating expenses decreased by CHF 430 million or 2%, mainly due to CHF 626 million lower general and administrative expenses, mainly reflecting CHF 375 million lower net expenses for provisions for litigation, regulatory and similar matters.

In addition to reporting results in accordance with International Financial Reporting Standards ("IFRS"), UBS reports adjusted results that exclude items that management believes are not representative of the underlying performance of UBS's businesses. Such adjusted results are non-GAAP financial measures as defined by US Securities and Exchange Commission ("SEC") regulations. For the purpose of determining adjusted results for 2017, UBS excluded gains of CHF 153 million on sale of subsidiaries and businesses related to the disposal of Asset Management's fund administration servicing units in Luxembourg and Switzerland, gains of CHF 136 million on sale of financial assets available for sale, net foreign currency translation losses of CHF 22 million, expenses of CHF 25 million related to the modification of terms for Deferred Contingent Capital Plan ("DCCP") awards granted for the performance years 2012 and 2013 and net restructuring expenses of CHF 1,168 million. For 2016, UBS excluded gains of CHF 211 million on sale of financial assets available for sale, gains of CHF 120 million on sales of real estate, gains of CHF 21 million related to investments in associates, net foreign currency translation losses of CHF 122 million, losses of CHF 23 million on sales of subsidiaries and businesses and net restructuring expenses of CHF 1,458 million. On this adjusted basis, profit before tax increased by CHF 853 million or 16% to CHF 6,194 million, reflecting CHF 687 million higher adjusted operating income and CHF 165 million lower adjusted operating expenses.

Total operating income was CHF 29,067 million compared with CHF 28,320 million. On an adjusted basis, total operating income increased by CHF 687 million or 2% to CHF 28,800 million, mainly reflecting an increase of CHF 789 million in net fee and commission income. Total operating expenses decreased by CHF 430 million or 2% to CHF 23,800 million. Excluding net restructuring expenses of CHF 1,168 million compared with CHF 1,458 million in 2016 and expenses of CHF 25 million in 2017 in the Investment Bank related to the modification of terms in DCCP awards granted for the performance years 2012 and 2013, adjusted total operating expenses decreased by CHF 165 million or 1% to CHF 22,607 million. This decrease was mainly due to CHF 375 million lower net expenses for provisions for litigation, regulatory and similar matters, partly offset by a CHF 289 million increase in financial advisor compensation in Wealth Management Americas.

##### *Wealth Management<sup>3</sup>:*

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<sup>3</sup> On 1 February 2018, Wealth Management and Wealth Management Americas were combined into the unified business division Global Wealth Management.

Profit before tax increased by CHF 347 million or 18% to CHF 2,295 million and adjusted<sup>4</sup> profit before tax increased by CHF 361 million or 15% to CHF 2,758 million, mainly reflecting higher operating income. Net new money was CHF 51.1 billion compared with CHF 26.8 billion, resulting in an annual growth rate of 5.2% compared with 2.8%. Net new money was positive in all regions, predominantly driven by inflows in Asia Pacific and Europe. Cross-border-related net outflows were CHF 12 billion compared with CHF 14 billion, mainly driven by outflows in emerging markets. In addition, UBS incurred net outflows of CHF 8 billion related to the introduction of fees on euro deposit concentrations in Europe, emerging markets and Switzerland.

*Wealth Management Americas<sup>5</sup>:*

Profit before tax increased by USD 112 million or 10% to USD 1,230 million, and adjusted<sup>6</sup> profit before tax increased by USD 95 million or 8% to USD 1,345 million driven by higher operating income, partly offset by higher operating expenses. Net new money outflows were USD 7.2 billion compared with net inflows of USD 15.4 billion, reflecting outflows from net recruiting partly offset by inflows from financial advisors employed with UBS for more than one year. The net new money growth rate was negative 0.7% compared with positive 1.5%.

*Personal & Corporate Banking:*

Profit before tax decreased by CHF 182 million or 10% to CHF 1,578 million. Adjusted<sup>7</sup> profit before tax decreased by CHF 73 million or 4% to CHF 1,681 million, due to slightly lower operating income and higher operating expenses. The net new business volume growth rate for the personal banking business was 4.0% compared with 3.1%. Net new client assets and, to a lesser extent, net new loans were positive.

*Asset Management:*

Profit before tax increased by CHF 126 million or 28% to CHF 578 million, primarily driven by a gain of CHF 153 million on the sale of UBS's fund administration servicing units in Luxembourg and Switzerland to Northern Trust. Excluding this gain, adjusted<sup>8</sup> profit before tax decreased by CHF 27 million or 5% to CHF 525 million, primarily reflecting lower operating income. Excluding money market flows, net new money was CHF 48.1 billion compared with outflows of CHF 22.5 billion, primarily driven by UBS's third-party institutional channel. The net new money growth rate was positive 8.1% compared with negative 3.8%.

*Investment Bank:*

Profit before tax increased by CHF 245 million or 24% to CHF 1,249 million, due to lower operating expenses. Adjusted<sup>9</sup> profit before tax was broadly unchanged at CHF 1,497 million, primarily due to lower operating income, largely offset by lower operating expenses. Return on attributed equity for 2017 was 13.4%, and 16.0% on an adjusted basis.

*Corporate Center*

Services recorded a loss before tax of CHF 914 million compared with CHF 849 million, and CHF 895 million on an adjusted<sup>10</sup> basis compared with CHF 912 million. Corporate Center – Group ALM recorded a loss before tax of CHF 322 million compared with a loss of CHF 218 million. On an adjusted<sup>11</sup> basis, the loss before tax was CHF 296 million compared with a loss of CHF 96 million, driven by lower net income on accounting asymmetries related to economic hedges and higher retained operating expenses.

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<sup>4</sup> Refer to the table "Performance by business division and Corporate Center unit – reported and adjusted", which is available under "Group performance" in the "Financial and operating performance" section of the Annual Report 2017, for information on adjusting items.

<sup>5</sup> On 1 February 2018, Wealth Management and Wealth Management Americas were combined into the unified business division Global Wealth Management.

<sup>6</sup> Refer to the table "Wealth Management Americas – in US dollars", which is available under "Wealth Management Americas" in the "Financial and operating performance" section of the Annual Report 2017 for information on Wealth Management Americas' adjusting items in USD.

<sup>7</sup> See footnote 4.

<sup>8</sup> See footnote 4.

<sup>9</sup> See footnote 4.

<sup>10</sup> See footnote 4.

<sup>11</sup> See footnote 4.

Corporate Center – Non-core and Legacy Portfolio recorded a loss before tax of CHF 403 million compared with CHF 1,114 million.

*Risk management and control – key developments*

UBS's overall credit risk profile remained stable over the year and UBS continued to manage market risks at generally low levels. Operational risk remains a focus.

*Credit risk:*

Overall, UBS's gross credit risk exposures decreased by CHF 30 billion to CHF 518 billion during 2017. The increase in UBS's gross loan portfolio of CHF 13 billion to CHF 319 billion, mainly driven by an increase in Wealth Management, was more than offset by exposure reductions in balances with central banks, loan commitments and over-the-counter derivatives.

Total net credit loss expense was CHF 128 million compared with CHF 37 million, mainly reflecting CHF 79 million higher expenses in the Investment Bank in the fourth quarter of 2017, primarily related to a margin loan to a single client following a significant decrease in the value of the collateral.

UBS's Swiss lending portfolios, which account for approximately half of UBS's loan exposure, continued to perform well, although UBS remains watchful for any signs of deterioration in the Swiss economy that could impact UBS's counterparties and lead to an increase in credit loss expenses from the low levels recently observed.

Volatility was remarkably low in 2017, amid a broad-based acceleration in global growth, strong corporate profits, predictable and still largely supportive monetary policy and expectations of US tax cuts. Tensions around Syria and North Korea, the fallout from natural disasters and political turmoil in the US contributed to intermittent periods of market volatility during the year, although overall the market reaction to geopolitical and other risk events has been largely muted.

In 2017, many counterparties in the energy segments adapted to operating in a lower oil price environment, hence price volatility during the year had very little impact on UBS's portfolio.

Within the loan underwriting business, UBS continued to see a steady flow of transactions as leveraged loan markets remained relatively strong.

*Market risk:*

UBS continued to manage market risk to low levels during 2017. Average 1-day, 95% confidence level, management value-at-risk ("**VaR**")<sup>12</sup> was unchanged at CHF 11 million. With VaR at such low levels, UBS continues to see some volatility in the measure driven by positions arising from client facilitation as well as option expiries. The number of backtesting exceptions within a 250-business-day window decreased to one from seven by the end of the year. Accordingly, the FINMA VaR multiplier used to compute regulatory and stressed VaR RWA decreased to 3.00 from 3.65 as of 31 December 2017.

*Operational risk:*

The pervasive consequential risk themes that continue to challenge UBS and the financial industry are operational resilience, conduct and financial crime. Operational resilience remains critical, as the cyber threat landscape continues to evolve while other disaster scenarios remain an ever-present threat. In 2017, many organizations were affected by two prominent global malware attacks. Throughout 2017, data theft continued to be the most prevalent threat with a number of serious breaches at high-profile organizations. UBS continues to invest in both preventive measures and measures to detect and recover from cyberattacks. UBS has implemented cyber recovery playbooks for various scenarios, as well as regular cyber crisis exercises up to the Group Executive Board and Board of Directors level.

As a global firm, UBS was affected by extreme weather events in the US and India in 2017, in each case triggering business continuity procedures, which allowed UBS to monitor the safety of staff and for operations to continue with minimal disruption.

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<sup>12</sup> Refer to "Value-at-risk" in the "Market Risk Section" section of the UBS Group 2017 Form 20-F for the definition of average 1-day, 95% confidence level, management value-at-risk.

Achieving fair outcomes for clients, upholding market integrity and cultivating the highest standards of employee conduct are of critical importance to the firm. Management of conduct risks is an integral part of UBS's operational risk framework. In managing conduct risk, UBS continues to focus on embedding this framework, enhancing the management information and maintaining momentum on addressing culture. Conduct-related management information is reviewed at the business and regional governance level, providing metrics on employee conduct, clients and markets, with employee conduct being a central consideration in the annual compensation process. UBS's incentive schemes distinguish clearly between quantitative performance and conduct-related behaviors, so that achievement against financial targets is not the primary determinant of UBS employees' performance assessment. Furthermore, UBS continues to deliver on behavioral initiatives, such as the "Principles of Good Supervision," and provide mandatory compliance and risk training.

Suitability risk, product selection, cross-divisional service offerings, quality of advice and price transparency also remain areas of heightened focus for UBS and for the industry as a whole, as low interest rates and major legislative change programmes, such as MiFID II in the EU, continue. UBS regularly monitors its suitability, product and conflicts of interest control frameworks to assess whether they are reasonably designed to facilitate the adherence to applicable laws and regulatory expectations.

Financial crime, including money laundering, terrorist financing, sanctions violations, fraud, bribery and corruption, continues to present risks, as technological innovation and geopolitical developments have increased the complexity of operating an effective program to prevent and detect financial crime. Regulators and other governmental authorities have heightened expectations for financial crime compliance programmes and have significantly increased their focus in this area over the last several years. Given the profile of UBS's wealth management businesses as well as heightened regulatory expectations, maintaining effective programmes for prevention and detection of money laundering and for sanctions compliance is a high priority for UBS. UBS is investing to improve its detection and monitoring capabilities, including in automation of processes. Money laundering and fraud techniques are becoming increasingly sophisticated, while geopolitical volatility makes the sanctions landscape more complex. UBS continues to invest in improving anti-money laundering ("AML"), terrorist financing prevention, sanctions and fraud control capabilities to meet the evolving challenge and heightened regulatory expectations.

UBS also continues to invest heavily in detection capabilities and core systems as part of its financial crime prevention program. UBS has been exploring new technologies to combat financial crime, and implementing rule-based monitoring by applying self-learning systems to identify suspicious transactions. Furthermore, UBS is actively participating in AML public-private partnerships with public-sector stakeholders, including law enforcement, to improve information sharing and better detect financial crimes.

Cross-border risk remains an area of regulatory attention for global financial institutions, with a strong focus on fiscal transparency and increased legislation, such as the automatic exchange of information. UBS continues to adapt its cross-border control framework to adhere to the regulatory expectations and facilitate compliant client-driven cross-border business.

As the overall regulatory environment continues to undergo major change with the introduction of new regulation, international collaboration among regulators, and increased focus on individual liability and industry operating models, it is important that UBS maintains strong relationships with its industry's regulatory bodies and demonstrate observable progress in achieving and sustaining corrective actions.

#### *Assets and liquidity management – key developments*

As of 31 December 2017, balance sheet assets totaled CHF 916 billion, a decrease of CHF 19 billion from 31 December 2016, mainly due to reductions in positive replacement values ("PRVs"), cash and balances with central banks and financial assets designated at fair value, available for sale and held to maturity, partly offset by an increase in trading portfolio assets. Total assets excluding PRVs increased by CHF 21 billion to CHF 797 billion as of 31 December 2017. Excluding currency effects, total assets excluding PRVs increased by CHF 22 billion.

The total weighted liquidity value of high-quality liquid assets ("**HQLA**") decreased by CHF 13 billion to CHF 183 billion, primarily reflecting increased funding consumption by the business divisions. UBS's daily average liquidity coverage ratio ("**LCR**") for the fourth quarter of 2017 was 143% compared with a three-month average of 132% in the fourth quarter of 2016, mainly due to a CHF 20 billion reduction in net cash outflows, partly offset by the aforementioned reduction in HQLA. The CHF 20 billion reduction in net cash outflows was primarily driven by secured financing transactions, financial liabilities at fair value reported in unsecured wholesale funding and committed facilities reported in other cash outflows.

#### *Liabilities and funding management – key developments*

Total liabilities decreased by CHF 16 billion to CHF 864 billion as of 31 December 2017. Negative replacement values decreased by CHF 38 billion, in line with the aforementioned decreases in PRVs. Customer deposits decreased by CHF 15 billion, primarily in Wealth Management Americas, mainly reflecting client-driven decreases, in response to rising interest rates and higher equity markets, and the shift of customer sweep deposit balances in excess of insured limits to third-party banks. As of 31 December 2017, customer deposits represented 60% of UBS's funding sources and UBS's ratio of customer deposits to outstanding loan balances was 128% (31 December 2016: 138%). Other liabilities decreased by CHF 11 billion, mainly due to the aforementioned completion of the sale of a life insurance subsidiary in Wealth Management, a reduction in cash collateral payables on derivative instruments and lower prime brokerage payables. These decreases were offset by a CHF 22 billion increase in short-term borrowings, which represented 9% of UBS's funding sources, mainly reflecting net issuances of commercial paper and certificates of deposit, primarily to support short-term funding requirements.

Long-term debt issued, which represented 21% of UBS's funding sources as of 31 December 2017, increased by CHF 10 billion, mainly due to an CHF 11 billion increase in long-term debt held at amortised cost, primarily reflecting the issuance of CHF 10 billion equivalent of US dollar-, euro- and Swiss franc- denominated senior unsecured debt that contributes to UBS's total loss-absorbing capacity ("**TLAC**") and the issuance of CHF 14 billion equivalent of senior unsecured debt, partly offset by the maturity or early redemption of CHF 8 billion equivalent of senior unsecured debt and CHF 2 billion equivalent of tier 2 capital instruments.

Trading portfolio liabilities increased by CHF 8 billion, primarily reflecting client-driven increases in Corporate Client Solutions. Payables from securities financing transactions increased by CHF 8 billion, primarily in Group ALM.

As of 31 December 2017, UBS's estimated pro forma net stable funding ratio ("**NSFR**") was 105%, a decrease of 11 percentage points from 31 December 2016, primarily reflecting a CHF 44 billion increase in required stable funding, mainly driven by an increase in trading assets, loans and prime brokerage receivables. The calculation of UBS's pro forma NSFR includes interpretation and estimates of the effect of the NSFR rules, and will be refined as regulatory interpretations evolve and as new models and associated systems are enhanced. In November 2017, the Swiss Federal Council informed that the introduction of the NSFR, which was originally planned for 1 January 2018, has been postponed and that it will reconsider the matter at the end of 2018.

#### *Capital management – key developments*

In 2017, UBS issued CHF 10.4 billion equivalent of TLAC-eligible senior unsecured debt; issued CHF 0.4 billion of high-trigger loss-absorbing AT1 capital instruments related to DCCP awards granted for the performance year 2017; and called CHF 2.7 billion equivalent of non-Basel III-compliant tier 2 and tier 2 capital instruments. As of 31 December 2017, these transactions contributed to UBS's fully applied TLAC ratio amounting to 33.0% of UBS's RWA and 8.8% of LRD compared with the respective minimum requirements of 26.6%, excluding countercyclical buffer requirements, and 9.3%, which are applicable as of 1 January 2020.

UBS's fully applied CET1 capital increased by CHF 2.0 billion to CHF 32.7 billion as of 31 December 2017, mainly as a result of operating profit before tax, partly offset by accruals for capital returns to shareholders. UBS's loss-absorbing additional tier 1 capital remained at CHF 9.2 billion, unchanged from 31 December 2016, as a CHF 0.4 billion increase related to DCCP awards granted for the performance year 2017 was offset by currency effects.

UBS's fully applied total gone concern loss-absorbing capacity increased by CHF 7.1 billion to CHF 36.4 billion as of 31 December 2017, including CHF 27.2 billion of TLAC-eligible senior unsecured debt. This was primarily driven by the issuance of CHF 10.4 billion TLAC-eligible senior unsecured debt, partly offset by a CHF 3.3 billion decrease mainly resulting from the call of a low-trigger tier 2 capital instrument equivalent to CHF 2.0 billion, the call of a CHF 0.7 billion non-Basel III-compliant tier 1 capital instrument and CHF 0.4 billion related to the decrease in eligibility of certain DCCP awards due to the shortening of the residual tenor.

UBS's fully applied CET1 capital ratio was 13.8%, unchanged from 31 December 2016, reflecting a CHF 2.0 billion increase in CET1 capital and a CHF 14.8 billion increase in RWA. UBS's fully applied CET1 leverage ratio increased 0.2 percentage points to 3.7% as of 31 December 2017, reflecting the aforementioned increase in CET1 capital, partly offset by a CHF 16 billion increase in the LRD.

On a fully applied basis, UBS's gone concern loss-absorbing capacity ratio increased 2.1 percentage points to 15.3%, primarily driven by the aforementioned issuance of TLAC-eligible senior unsecured debt. UBS's gone concern leverage ratio on a fully applied basis increased 0.7 percentage points to 4.1% due to the aforementioned increase in the gone concern loss-absorbing capacity, partly offset by the higher LRD.

As of 31 December 2017, fully applied RWA increased by CHF 14.8 billion to CHF 237.5 billion, driven by a CHF 15.6 billion increase in credit and counterparty credit risk and a CHF 1.6 billion increase in operational risk, partly offset by a CHF 3.2 billion decrease in market risk. The fully applied LRD increased by CHF 16 billion to CHF 886 billion as of 31 December 2017, primarily driven by asset size and other increases of CHF 20 billion, partly offset by CHF 3 billion incremental netting and collateral mitigation and currency effects of CHF 1 billion.

Refer to the "*Capital management*" section of Annual Report 2017, which provides more information about UBS's strategy, objectives and governance for capital management, as well as information on the Swiss SRB capital framework and on Swiss SRB going and gone concern requirements.

#### **3.4.2 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.

#### **3.5 Trend Information**

As indicated in the UBS's fourth quarter 2017 report, published on 22 January 2018, UBS expects the improved investor confidence and the macroeconomic developments observed in 2017, as well as typical seasonality, to continue to benefit UBS's global wealth management businesses. However, low market volatility is likely to persist in the short term, affecting institutional client activity levels in particular. The positive effect of rising US dollar interest rates on net interest margins will be limited by the continuing low and negative interest rates in Switzerland and the eurozone. Geopolitical factors continue to remain a risk. Implementing the recently agreed upon changes to the Basel III capital standards will result in increasing capital requirements and costs. UBS is well positioned to deal with these challenges and to mitigate their impact on overall performance and profitability by staying disciplined on cost whilst investing in its businesses and infrastructure. By continuing to execute its strategy with discipline, UBS stands to benefit from any further improvement in market conditions.



Refer to "*Current market climate and industry trends*" and "*Risk Factors*" in the "*Operating environment and strategy*" section of the Annual Report 2017 for more information.

#### 4. **Administrative, Management and Supervisory Bodies of UBS Group AG**

UBS Group AG is subject to, and compliant with, all relevant Swiss legal and regulatory requirements regarding corporate governance. In addition, as a foreign company with shares listed on the New York Stock Exchange, UBS Group AG complies with all relevant corporate governance standards applicable to foreign private issuers.

UBS Group AG operates under a strict dual board structure. The Board of Directors ("**BoD**"), under the leadership of the Chairman, decides on the strategy of UBS upon recommendation by the Group Chief Executive Officer ("**Group CEO**"), and supervises and monitors the business, whereas the Group Executive Board ("**GEB**"), headed by the Group CEO, has executive management responsibility. The functions of Chairman of the BoD and Group CEO 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, for which responsibility is delegated to the GEB under the leadership of the Group CEO. No member of one board may simultaneously be a member of the other.

Supervision and control of the GEB 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 Group AG with their annexes.

##### 4.1 **Board of Directors**

The BoD consists of at least six and a maximum of twelve members. All the members of the BoD are elected individually by the shareholders at the Annual General Meeting ("**AGM**") for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman and the members of the Compensation Committee every year based on proposals from the BoD. The BoD's proposal for election must be such that three-quarters of the BoD members will be independent. Independence is determined in accordance with FINMA circular 2017/1, the New York Stock Exchange rules and the rules and regulations of other securities exchanges on which UBS Group AG shares are listed, if any, applying the strictest standard. The Chairman does not need to be independent.

The BoD has ultimate responsibility for the success of UBS and for delivering sustainable shareholder value within a framework of prudent and effective controls. It decides on UBS's strategic aims and the necessary financial and human resources upon recommendation of the Group CEO and sets the UBS's values and standards to ensure that its obligations to shareholders and other stakeholders are met.

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

##### 4.1.1 **Members of the Board of Directors**

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

<b>Member and business address</b>	<b>Title</b>	<b>Term of office</b>	<b>Current principal positions outside UBS Group AG</b>
Axel A. Weber UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2018	Chairman of the Board of Directors of UBS AG; board member of the Swiss Bankers Association; member of the Board of Trustees of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; board member of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Chairman of the DIW Berlin Board of Trustees; Advisory Board member of the Department of Economics at the University of Zurich; member of the Trilateral Commission.
Michel Demaré UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Independent Vice Chairman	2018	Independent Vice-Chairman of the Board of Directors of UBS AG; board member of Louis-Dreyfus Commodities Holdings BV; Vice Chairman of the Supervisory Board of IMD, Lausanne; Advisory Board member of the Department of Banking and Finance at the University of Zurich; board member of Vodafone Group Plc.
David Sidwell UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Senior Independent Director	2018	Member of the Board of Directors of UBS AG; Senior advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York.
Reto Francioni UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS AG; professor at the University of Basel; board member of Coca-Cola HBC AG; Chairman of the board of Swiss International Air Lines AG; board member of Francioni AG; board member of MedTech Innovation Partners AG.
Ann F. Godbehere UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS AG; board member of Rio Tinto plc (chairman of the audit committee); board member of Rio Tinto Limited (chairman of the audit committee); board member of British American Tobacco plc.
William G. Parrett UBS Group AG, Bahnhofstrasse 45, CH-	Member	2018	Member of the Board of Directors of UBS AG; chairman of the board of UBS Americas Holding LLC; board member

<b>Member and business address</b>	<b>Title</b>	<b>Term of office</b>	<b>Current principal positions outside UBS Group AG</b>
8001 Zurich			of the Eastman Kodak Company (chairman of the audit and finance committee); board member of the Blackstone Group LP (chairman of the audit committee and chairman of the conflicts committee); board member of Thermo Fisher Scientific Inc. (chairman of the audit committee); Chairman of the Board of Conduent Inc; member of the Carnegie Hall Board of Trustees; Past Chairman of the board of the United States Council for International Business; Past Chairman of United Way Worldwide.
Julie G. Richardson UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS AG; board member of The Hartford Financial Services Group, Inc. (chairman of the audit committee); Board member of Yext (chairman of the audit committee); board member of Vereit, Inc. (chairman of the compensation committee).
Isabelle Romy Froriep Legal AG, Bellerivestrasse 201, CH-8034 Zurich	Member	2018	Member of the Board of Directors of UBS AG; partner and board member at Froriep Legal AG, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; vice chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF; Supervisory Board member of the CAS programme Financial Regulation of the University of Bern and University of Geneva.
Robert W. Scully UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School.
Beatrice Weder di Mauro Johannes Gutenberg University Mainz, Jakob Welder-Weg 4, D-55099 Mainz	Member	2018	Member of the Board of Directors of UBS AG; distinguished fellow at INSEAD in Singapore (on leave from the University of Mainz); Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees; Economic Advisory Board member of Fraport AG; Advisory Board member of Deloitte Germany; Deputy Chairman of the University Council of the University of Mainz.

<b>Member and business address</b>	<b>Title</b>	<b>Term of office</b>	<b>Current principal positions outside UBS Group AG</b>
Dieter Wemmer UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS AG; member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; member of the Berlin Center of Corporate Governance.

#### 4.1.2 *Organisational principles and structure*

Following each AGM, the BoD meets to appoint one or more Vice Chairmen, a Senior Independent Director, the BoD committee members, other than the members of the Compensation Committee, who are elected by the shareholders, and their respective Chairpersons. At the same meeting, the BoD appoints a Group Company Secretary, who acts as secretary to the BoD and its committees.

The BoD committees comprise the Audit Committee, the Compensation Committee, the Corporate Culture and Responsibility Committee, the Governance and Nominating Committee, and the Risk Committee. The BoD has also established a Special Committee, which is an ad-hoc committee, called and held on an ad-hoc basis, focused on internal and regulatory investigations.

#### 4.1.3 *Audit Committee*

The Audit Committee ("AC") consists of five BoD members, all of whom were determined by the BoD to be fully independent. As a group, members of the Audit Committee must have the necessary qualifications and skills to perform all of their duties and together must possess financial literacy and experience in banking and risk management.

The AC itself does not perform audits, but monitors the work of the external auditors who in turn are responsible for auditing UBS Group AG's consolidated and standalone annual financial statements and for reviewing the quarterly financial statements.

The function of the AC is to serve as an independent and objective body with oversight of: (i) UBS Group AG's and the Group's accounting policies, financial reporting and disclosure controls and procedures, (ii) the quality, adequacy and scope of external audit, (iii) UBS Group AG's and the Group's compliance with financial reporting requirements, (iv) senior management's approach to internal controls with respect to the production and integrity of the financial statements and disclosure of the financial performance, and (v) the performance of Group Internal Audit in conjunction with the Chairman of the BoD.

Together with the external auditors and Group Internal Audit, the AC in particular reviews the annual financial statements of UBS Group AG as well as the consolidated annual and the quarterly financial statements and the consolidated annual report of the Group, as proposed by management, in order to recommend approval to the BoD or propose any adjustments the AC considers appropriate.

Periodically, and at least annually, the AC assesses the qualifications, expertise, effectiveness, independence and performance of the external auditors and their lead audit partner, in order to support the BoD in reaching a decision in relation to the appointment or dismissal of the external auditors and to the rotation of the lead audit partner. The BoD then submits these proposals to the shareholders for approval at the AGM.

The members of the AC are William G. Parrett (Chairperson), Michel Demaré, Ann F. Godbehere, Isabelle Romy and Beatrice Weder di Mauro.

## 4.2 **Group Executive Board**

Under the leadership of the Group CEO, the GEB has executive management responsibility for the steering of UBS and its business. It assumes overall responsibility for the development of the Group and business division strategies and the implementation of approved strategies. All GEB members (with the exception of the Group CEO) are proposed by the Group CEO. The appointments are made by the BoD.

#### 4.2.1 Members of the Group Executive Board

<b>Member and business address</b>	<b>Function</b>	<b>Current principal positions outside UBS Group AG</b>
Sergio P. Ermotti UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Executive Officer	Member of the Executive Board and President of the Executive Board of UBS AG; Member of the Board of Directors of UBS Switzerland AG; Chairman of the Board of Directors of UBS Business Solutions AG; Chairman of the UBS Optimus Foundation board; Chairman of the Fondazione Ermotti, Lugano; Chairman and President of the board of the Swiss-American Chamber of Commerce; board member of the Fondazione Lugano per il Polo Culturale, Lugano; board member of the Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires, Member of the Saïd Business School Global Leadership Council, University of Oxford.
Martin Blessing UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Global Wealth Management	Member of the Executive Board and Co-President Global Wealth Management of UBS AG; member of the Executive Board of Baden-Baden Entrepreneur Talks.
Christian Bluhm UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Risk Officer	Member of the Executive Board and Chief Risk Officer of UBS AG; board member of UBS Business Solutions AG; board member of UBS Switzerland AG.
Markus U. Diethelm UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Group General Counsel	Member of the Executive Board and General Counsel of UBS AG; board member of UBS Business Solutions AG; Chairman of the Swiss-American Chamber of Commerce's legal committee; Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the Foundation Council of the UBS International Center of Economics in Society; member of the Professional Ethics Commission of the Association of Swiss Corporate Lawyers; member of the Supervisory Board of the Fonds de Dotation LUMA / Arles.
Kirt Gardner UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Financial Officer	Member of the Executive Board and Chief Financial Officer of UBS AG; board member of UBS Business Solutions AG.
Sabine Keller-Busse UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	Group Chief Operating Officer	Member of the Executive Board and Chief Operating Officer of UBS AG; vice-chairman of the Board of Directors of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS

<b>Member and business address</b>	<b>Function</b>	<b>Current principal positions outside UBS Group AG</b>
		Pension Fund; Foundation Board member of the University Hospital Zurich.
Ulrich Körner UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	President Asset Management and President UBS Europe, Middle East and Africa	Member of the Executive Board, President Asset Management and President UBS Europe, Middle East and Africa of UBS AG; member of the Supervisory Board of UBS Europe SE; Chairman of the Foundation Board of the UBS Pension Fund; Chairman of the Widder Hotel AG, Zurich; member of the UBS Optimus Foundation Board; Vice President of the board of Lyceum Alpinum Zuoz; member of the Financial Service Chapter Board of the Swiss-American Chamber of Commerce; Advisory Board member of the Department of Banking and Finance at the University of Zurich; member of the business advisory council of the Laureus Foundation Switzerland.
Axel P. Lehmann UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	President Personal & Corporate Banking and President UBS Switzerland	President of the Executive Board of UBS Switzerland AG; board member of UBS Business Solutions AG; Co-Chair of the Global Future Council of the Future of Financial and Monetary Systems of the World Economic Forum; Adjunct professor and Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; member of the HSG Advisory Board at the University of St. Gallen; member of the Swiss-American Chamber of Commerce Chapter Doing Business in USA.
Tom Naratil UBS AG, 1200 Harbor Boulevard, Weehawken, NJ 07086 USA	Co-President Global Wealth Management and President UBS Americas	Member of the Executive Board and Co-President Global Wealth Management and President UBS Americas of UBS AG; Chairman of UBS Americas Holding LLC; board member of the American Swiss Foundation; board member of the Clearing House Supervisory Board; member of the Board of Consultants for the College of Nursing at Villanova University.
Andrea Orcel UBS Group AG, Bahnhofstrasse 45, CH-8001 Zurich	President Investment Bank	Member of the Executive Board and President Investment Bank of UBS AG; board member of UBS Limited; board member of UBS Americas Holding LLC.
Kathryn Shih UBS AG, 2 International Finance Centre, 8 Finance Street, Central,	President UBS Asia Pacific	Member of the Executive Board of UBS AG and President UBS Asia Pacific; board member of Kenford International Ltd.; board member of Shih Co Charitable Foundation Ltd.; member of

<b>Member and business address</b>	<b>Function</b>	<b>Current principal positions outside UBS Group AG</b>
Hong Kong		the Hong Kong Trade Development Council (Financial Services Advisory Committee).

#### 4.3 Potential Conflicts of Interest

Members of the BoD and GEB may act as directors or executive officers of other companies (for current principal positions outside UBS Group AG, if any, of BoD and GEB members, please see sections 4.1.1 and 4.2.1 above, respectively) and may have economic or other private interests that differ from those of UBS. Conflicts of interest may potentially arise from these positions or interests. For example, it cannot be excluded that a member of the BoD or GEB has or will have a function within a company, the shares of which are or will be traded by UBS or which has or will have a business relationship with UBS. UBS Group AG is confident that its internal corporate governance practices and its compliance with relevant legal and regulatory provisions reasonably ensure that any conflicts of interest of the type described above are appropriately managed, including through disclosure when appropriate.

#### 5. Auditors

Upon incorporation of UBS Group AG, Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel ("**Ernst & Young**") were appointed as auditors of UBS Group AG. Based on article 39 of the Articles of Association, UBS Group AG's shareholders elect the auditors for a term of office of one year. At the AGMs of 10 May 2016 and 4 May 2017, Ernst & Young were elected as auditors for the consolidated and standalone financial statements of UBS Group AG for a one-year term.

Ernst & Young are a member of EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary.

#### 6. Major Shareholders of UBS Group AG

Under the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading of 19 June 2015 (the "**Swiss Financial Market Infrastructure Act**"), anyone holding shares in a company listed in Switzerland, or holding derivative rights related to shares of such a company, must notify the company and the SIX Swiss Exchange if the holding reaches, falls below or exceeds one of the following thresholds: 3, 5, 10, 15, 20, 25, 33 1/3, 50 or 66 2/3% of voting rights, regardless of whether or not such rights may be exercised. The detailed disclosure requirements and the methodology for calculating the thresholds are defined in the Swiss Financial Market Supervisory Authority Ordinance on Financial Market Infrastructure ("**FMIO-FINMA**"). In particular, the FMIO-FINMA sets forth that nominee companies that cannot autonomously decide how voting rights are exercised are not obligated to notify UBS Group AG and SIX Swiss Exchange if they reach, exceed or fall below the threshold percentages.

According to disclosure notifications filed with UBS Group AG and the SIX Swiss Exchange, the following entities hold more than 3% of the total share capital of UBS Group AG: on 10 December 2014, Norges Bank, Oslo, the Central Bank of Norway, disclosed a holding of 3.30%; on 10 February 2016, MFS Investment Management, Boston, disclosed a holding of 3.05%; and on 06 March 2018, BlackRock Inc., New York, disclosed a holding of 4.94%. In accordance with the applicable provisions, the percentages indicated above were calculated in relation to the total share capital of UBS Group AG reflected in the Articles of Association at the time of the respective disclosure notification.

Voting rights may be exercised without any restrictions by shareholders entered into the share register if they expressly render a declaration of beneficial ownership according to the provisions of the Articles of Association. Special provisions exist for the registration of fiduciaries and nominees. Fiduciaries and nominees are entered in the share register with voting rights up to a total of 5% of all shares issued if they agree to disclose, upon UBS Group AG's request, beneficial owners holding 0.3% or more of all UBS Group AG shares issued. An exception to the 5% voting limit rule is in place for securities clearing organisations such as The Depository Trust Company in New York.

Additionally, as of 31 December 2017, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS Group AG: Chase Nominees Ltd., London (11.16%); the US securities clearing organisation DTC (Cede & Co.) New York, "The Depository Trust Company" (6.64%); and Nortrust Nominees Ltd., London (4.11%).

UBS's Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards. In addition, the Investment Bank holds a very limited number of UBS Group AG shares, primarily in its capacity as a market-maker in UBS Group AG shares and related derivatives and to hedge certain issued structured debt instruments. As of 31 December 2017, UBS held a total of 132,301,550 treasury shares, or 3.4% of shares issued.

## **7. Financial Information concerning UBS Group AG's Assets and Liabilities, Financial Position and Profits and Losses**

### **7.1 Historical Annual Financial Information**

The description of UBS Group AG (consolidated) assets and liabilities, financial position and profits and losses for financial year 2017 is available in the "*UBS Group AG consolidated financial statements*" section of the Annual Report 2017. UBS Group AG's financial year is the calendar year.

The annual financial reports form an essential part of UBS Group AG's reporting. They include the audited consolidated financial statements of UBS Group 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 Group AG prepares and publishes standalone financial statements in accordance with the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations), as well as certain additional disclosures required under SEC regulations.

### **7.2 Auditing of Historical Annual Financial Information**

Both the consolidated financial statements and the standalone financial statements of UBS Group AG for the financial year 2017 were audited by Ernst & Young. Their report on the consolidated financial statements of UBS Group AG can be found in the "*UBS Group AG consolidated financial statements*" section of the Annual Report 2017. Their report on the standalone financial statements of UBS Group AG can be found in the Standalone Financial Statements.

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

### **7.3 Litigation, Regulatory and Similar Matters**

The Group 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 Group 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 the Group 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 the Group 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. The Group 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 the Group 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 the Group, but are nevertheless expected to be, based on the Group'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 recognised 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<sup>1</sup>**

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

**8. 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 unauthorised 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 unauthorised 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 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 recognised.

#### 9. **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 totalled 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 securitised 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 recognised.

#### 10. **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.

## 11. **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 authorised 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 authorised 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 recognised.

## 12. **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 authorised 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 recognised.

#### **13. 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 recognised.

#### **14. 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.

#### **15. Material Contracts**

Except as otherwise disclosed in this Base Prospectus (including the documents incorporated herein by reference), no material contracts have been entered into outside of the ordinary course of UBS Group AG's or UBS's business, which could result in any member of the UBS Group being under an obligation or entitlement that is material to UBS Group AG's ability to meet its obligations to the investors in relation to the issued securities.

#### **16. Share capital**

As reflected in its Articles of Association most recently registered with the Commercial Register of Zurich, UBS Group AG has (i) fully paid and issued share capital of CHF 385,076,638.90, divided into 3,850,766,389 registered shares with a par value of CHF 0.10 each (article 4), and (ii) conditional capital in the amount of CHF 50,999,483.60, comprising a maximum of 509,994,836 registered shares with a par value of CHF 0.10 each (article 4a).

#### **17. Contributions in kind**

In connection with the share-for-share exchange offer carried out in order to establish UBS Group AG as the holding company of UBS Group, subsequent private exchanges on a one-for-one basis with various shareholders and banks in Switzerland and elsewhere outside the United States, and a procedure under the Swiss Stock Exchange and Securities Trading Act to squeeze out minority shareholders of UBS AG, UBS Group AG conducted the following capital increases against contributions in kind on 26 November 2014, 16 December 2014, 10 February 2015, 9 March 2015, 12 June 2015 and 28 August 2015:

##### **17.1 Capital increase of 26 November 2014:**

In connection with the capital increase and the agreements dated 26 November 2014, UBS Group AG acquired from:

- UBS AG, acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, who have tendered their shares in the course of the public exchange offer of UBS Group AG, 3,183,370,731 shares of UBS AG with par value of CHF 0.10 each and a total value of CHF 32,718,731,974.95. In return, UBS Group AG issued 3,183,370,731 of its registered shares with a par value of CHF 0.10 each to UBS AG.
- UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, US, acting as contributor in kind and exchange agent in its own name but for account of certain shareholders of UBS AG, who have tendered their shares in the course of the public exchange offer of UBS Group AG, 201,494,824 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 2,070,966,814.07. In return, UBS Group AG issued 201,494,824 of its registered shares

with a par value of CHF 0.10 each to UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, US.

- UBS AG, acting as contributor in kind in its own name and in relation to shares of UBS AG tendered during the initial offer period in the course of the public exchange offer of UBS Group AG, 90,490,886 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 968,693,952.29. In return, UBS Group AG issued 90,490,886 of its registered shares with a par value of CHF 0.10 each to UBS AG.

#### 17.2 **Capital increase of 16 December 2014:**

In connection with the capital increase and the agreements dated 16 December 2014, UBS Group AG acquired from:

- UBS AG, acting as contributor in kind in its own name but for account of certain shareholders of UBS AG, who (i) have tendered their shares in the course of the public exchange offer of UBS Group AG or (ii) have offered their shares for a private exchange under the terms of such public exchange offer, 229,042,914 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 2,244,527,510.81. In return, UBS Group AG issued 229,042,914 of its registered shares with a par value of CHF 0.10 each to UBS AG.
- UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, US, acting as contributor in kind in its own name but for account of certain shareholders of UBS AG, who have tendered their shares in the course of the public exchange offer of UBS Group AG, 12,510,852 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 122,601,267.19. In return, UBS Group AG issued 12,510,852 of its registered shares with a par value of CHF 0.10 each to UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, US

#### 17.3 **Capital increase of 10 February 2015:**

In connection with the capital increase dated 10 February 2015, UBS Group AG acquired from UBS AG 11,800,250 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 130,476,501.09. In return, UBS Group AG issued 11,800,250 of its registered shares with a par value of CHF 0.10 each to UBS AG.

#### 17.4 **Capital increase of 9 March 2015:**

In connection with the capital increase dated 9 March 2015, UBS Group AG acquired from UBS AG 9,525,000 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 104,986,854.19. In return, UBS Group AG issued, on a one-to-one basis, 9,525,000 of its registered shares with a par value of CHF 0.10 each to UBS AG.

#### 17.5 **Capital increase of 12 June 2015:**

In connection with the capital increase dated 12 June 2015, UBS Group AG acquired from UBS AG 17,500,000 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 199,898,088.25. In return, UBS Group AG issued, on a one-to-one basis, 17,500,000 of its registered shares with a par value of CHF 0.10 each to UBS AG.

#### 17.6 **Capital increase of 28 August 2015:**

In connection with the capital increase dated 28 August 2015, UBS Group AG acquired from UBS AG 88,825,456 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 968,693,952.29. In return, UBS Group AG issued, on a one-to-one basis, 88,825,456 of its registered shares with a par value of CHF 0.10 each to UBS AG.

#### 18. **Conditional share capital of UBS Group AG**

According to article 4a of the Articles of Association, UBS Group AG currently has conditional capital in an aggregate amount of CHF 50,999,483.60, corresponding to a maximum of 509,994,836 registered shares with a par value of CHF 0.10 each. Of these shares, 380,000,000 shares are available to satisfy any

conversion rights and/or warrants in connection with convertible bonds or similar financial instruments and 129,994,836 shares are available for employee option plans.

Article 4a of the Articles of Association provides as follows:

*"Article 4a – Conditional capital*

The share capital may be increased by a maximum of CHF 12,999,483.60 through the issuance of a maximum of 129,994,836 fully paid registered shares with a par value of CHF 0.10 each upon exercise of employee options issued to employees and members of the management and of the Board of Directors of UBS Group AG and its subsidiaries. The pre-emptive rights and the advance subscription rights of the shareholders shall be excluded. The issuance of these options to employees and members of the management and of the Board of Directors of UBS Group AG and its subsidiaries will take place in accordance with the plan rules issued by the Board of Directors and its compensation committee. The acquisition of shares through the exercise of option rights as well as every subsequent transfer of these shares shall be subject to the registration requirements set forth in Article 5 of the Articles of Association.

The share capital may be increased in an amount not to exceed CHF 38,000,000 by the issuance of up to 380,000,000 fully paid registered shares with a nominal value of CHF 0.10 each through the voluntary or mandatory exercise of conversion rights and/or warrants granted in connection with the issuance of bonds or similar financial instruments by UBS Group AG or one of its group companies on national or international capital markets. The pre-emptive rights of the shareholders shall be excluded. The then current owners of conversion rights and/or warrants shall be entitled to subscribe for the new shares. The conditions of the conversion rights and/or warrants shall be determined by the Board of Directors. The acquisition of shares through voluntary or mandatory exercise of conversion rights and/or warrants, as well as each subsequent transfer of the shares, shall be subject to the registration requirements set forth in Article 5 of the Articles of Association. In connection with the issuance of convertible bonds or bonds with warrants or similar financial instruments, the Board of Directors shall be authorised to restrict or exclude the advance subscription rights of shareholders if such instruments are issued (i) on national or international capital markets or (ii) to one or more financial investors. If the advance subscription rights are restricted or excluded by the Board of Directors, the following shall apply: the issuance of such instrument shall be made at prevailing market conditions, and the new shares shall be issued pursuant to the relevant conditions of that financial instrument. Conversion rights may be exercised during a maximum 10-year period, and warrants may be exercised during a maximum 7-year period, in each case from the date of the respective issuance. The issuance of the new shares upon voluntary or mandatory exercise of conversion rights and/or warrants shall be made at conditions taking into account the market price of the shares and/or comparable instruments with a market price at the time of the issuance of the relevant financial instrument."

**19. Dividends**

Since its incorporation on 10 June 2014, UBS Group AG approved and distributed the following dividends:

- UBS Group AG's AGM on 7 May 2015 approved the distribution of a dividend for the financial year 2014 in the amount of CHF 0.50 in cash per share of CHF 0.10 par value, payable out of the capital contribution reserve. The dividend was paid on 13 May 2015 to holders of UBS Group AG's shares on the record date 12 May 2015. In addition, the AGM on 7 May 2015 approved the distribution of a dividend of CHF 0.25 per share of CHF 0.10 par value ("**Supplementary Dividend**") out of the capital contribution reserve subject to certain conditions. After the conditions were met, on 22 September 2015 UBS Group AG paid the Supplementary Dividend of CHF 0.25 per share to holders of UBS Group AG's shares on the record date of 21 September 2015.
- UBS Group AG's AGM on 10 May 2016 approved an ordinary dividend distribution of CHF 0.60 in cash per share of CHF 0.10 par value and a special dividend distribution of CHF 0.25 in cash per share of CHF 0.10 par value payable out of the capital contribution reserve. The total payment of CHF 0.85 per share was made on 17 May 2016 to holders of UBS Group AG's shares on the record date 13 May 2016.

- UBS Group AG's AGM on 4 May 2017 approved an ordinary dividend distribution of CHF 0.60 per share of CHF 0.10 par value payable out of the capital contribution reserves. The payment was made on 10 May 2017 to holders of UBS Group AG's shares on the record date 9 May 2017.

The BoD intends to propose a dividend of CHF 0.65 per share to shareholders for the financial year 2017. Subject to shareholder approval at the AGM on 3 May 2018, the dividend will be paid out of capital contribution reserves on 9 May 2018 to shareholders of record as of 8 May 2018. UBS will also initiate a share repurchase programme of up to CHF 2 billion over the next three years, including up to CHF 550 million in 2018. UBS expects to commence the programme in March following approval by the Swiss Takeover Board and establishment of a second trading line by SIX Swiss Exchange.

Going forward, UBS Group AG aims to increase its ordinary dividend per share at a mid-to-high single-digit percentage per annum. UBS may also return excess capital, after accruals for ordinary dividends, most likely in the form of share repurchases, after considering its outlook and subject to regulatory approval.

#### 20. Documents on Display

- 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) Significant regulated subsidiary and sub-group information, (7) Additional regulatory information, and the Appendix; and
- The Articles of Association of UBS Group AG,

shall be maintained in printed format, for free distribution, at the offices of UBS Group AG for a period of twelve months after the publication of this document. In addition, the annual and quarterly reports, as well as quarterly result materials of UBS Group AG are published on UBS's website, at [www.ubs.com/investors](http://www.ubs.com/investors) or a successor address. The Articles of Association of UBS Group AG are also available on UBS's Corporate Governance website, at [www.ubs.com/governance](http://www.ubs.com/governance).

## FORM OF GUARANTEE OF UBS GROUP AG

The form of the Guarantee that will be executed in connection with respect to each Series of Notes is set out below. The Guarantee with respect to each Series will be dated as of the Issue Date for the first Tranche of the Series.

### GUARANTEE OF UBS GROUP AG

**in respect of**  
**[Aggregate Principal Amount of Tranche] [Title of Notes]**  
**issued by UBS Group Funding (Switzerland) AG**  
**under the**  
**Senior Debt Programme**

This Guarantee (this "**Guarantee**") dated as of [day/month/year], is entered into by UBS Group AG (the "**Guarantor**") for the benefit of the Holders (as defined in the Terms and Conditions of the Notes (as defined below)) in relation to the [currency/aggregate principal amount] [[•] per cent. [Reset] / [Fixed Rate/Fixed Rate] / [Floating Rate] / [Fixed Rate/Floating Rate] / [•]] Senior Notes due [year] (the "**Notes**") issued by UBS Group Funding (Switzerland) AG (the "**Issuer**"). Capitalised terms used but not defined herein have the meanings assigned to such terms in the General Terms and Conditions set forth in the Base Prospectus dated 13 March 2018, [as supplemented by the supplements thereto dated [date(s)],] as completed, supplemented, modified or replaced by the Pricing Supplement dated [as of] [day/month/year], relating to the Notes (collectively, the "**Terms and Conditions of the Notes**"). As used herein, (i) the term "Issuer" includes (x) any Substitute Issuer (other than the Guarantor) pursuant to Condition 16(a) and (y) any Person with or into which the Issuer consolidates or merges, or to which the Issuer sells, conveys, transfers or otherwise disposes all or substantially all of its property and assets, that expressly assumes all of the Issuer's obligations under the Notes pursuant to Condition 11, and (ii) the term "Notes" includes any further notes issued by the Issuer that are consolidated and form a single Series with the Notes pursuant to Condition 18.

#### 1. **Guarantee**

The Guarantor hereby irrevocably and unconditionally

- (a) guarantees to the Holders, in accordance with article 111 of the Swiss Code of Obligations, as primary obligor and not merely as a surety (*Bürgschaft*), the due and punctual payment of principal, interest and all other amounts payable by the Issuer under the Notes as and when the same become due pursuant to the Terms and Conditions of the Notes, *provided* that if at any time prior to an Issuer Substitution pursuant to which the Guarantor is substituted for the Issuer as principal debtor under the Notes in accordance with Condition 16, any principal amount of, and/or interest on, any Notes is written-down or converted into equity of the Issuer pursuant to the exercise of any Swiss Resolution Power with respect to the Issuer, such principal and/or interest (i) if such principal and/or interest already became due and payable pursuant to the Terms and Conditions of the Notes, will continue to be considered to be due and payable for purposes of this Guarantee, and (ii) otherwise, will be considered to be due and payable as of the effective date of such write-down or conversion, as the case may be, for purposes of this Guarantee (any such principal and/or interest, "**Residual Guarantee Claims**"); and
- (b) [*in the case of Registered Notes*: agrees that it will pay (or cause to be paid) on first demand to the Holders, irrespective of the validity of the Notes, waiving all rights of objection and defence arising from the Notes and without requiring any Holder first to take steps against the Issuer or any other person, the relevant amount, promptly upon receipt of the written request for payment of such amount (x) as long as no Registered Definitive Certificates have been issued, from the Holder, or from the Fiscal Agent on behalf of the Holder, and (y) if Registered Definitive Certificates have been issued, from one or more Holders, or from the Fiscal Agent on behalf of one or more Holders, and, in the case of each of clauses (x) and (y), its or their confirmation in writing that the Issuer has not met its payment obligations owed to such Holder(s) under the Notes on the relevant Scheduled Due Date in the amount called under this Guarantee, and such

amount remained unpaid at the end of the three-day period following such Scheduled Due Date.] / [in the case of *Uncertificated Notes*: agrees that it will pay (or cause to be paid) on first demand to the Holders, irrespective of the validity of the Notes, waiving all rights of objection and defence arising from the Notes and without requiring any Holder first to take steps against the Issuer or any other person, the relevant amount, promptly upon receipt of the written request for payment from one or more Holders and its or their confirmation in writing that the Issuer has not met its payment obligations owed to such Holder(s) under the Notes on the relevant Scheduled Due Date in the amount called under this Guarantee, and such amount remained unpaid at the end of the three-day period following such Scheduled Due Date.]

Notwithstanding any reference herein to the Terms and Conditions of the Notes or to the Notes or any obligations thereunder, the Guarantor acknowledges and agrees that its obligations under this Guarantee are of a non-accessory (*nicht akzessorischer*) nature within the meaning of article 111 of the Swiss Code of Obligations, independent of the obligations of the Issuer in respect of the Notes.

2. **Issuer Substitution**

The Guarantor hereby irrevocably and unconditionally agrees that, immediately upon a Restructuring Event, it will in accordance with Condition 16(b) be bound by the Terms and Conditions of the Notes as the principal debtor under the Notes in place of the Issuer without the need for any further action to be taken and with the same effect as if the Guarantor had been named as the Issuer in the Terms and Conditions of the Notes. Immediately upon the occurrence of a Restructuring Issuer Substitution, this Guarantee will cease to exist (except with respect to any Residual Guarantee Claims) and all rights of any Holder for payment of amounts under or in respect of this Guarantee will become null and void (except with respect to any Residual Guarantee Claims), irrespective of whether such amounts may have arisen or become due and payable prior to the Restructuring Issuer Substitution Date.

In addition, if the Guarantor is substituted for the Issuer as the principal debtor under the Notes pursuant to Condition 16(a), upon the effectiveness of such Voluntary Issuer Substitution, this Guarantee will cease to exist (except with respect to any Residual Guarantee Claims) and all rights of any Holder for payment of amounts under or in respect of this Guarantee will become null and void (except with respect to any Residual Guarantee Claims), irrespective of whether such amounts may have arisen or become due and payable prior to date of such substitution.

3. **Status**

The obligations of the Guarantor under this Guarantee constitute direct, unconditional, unsecured and unsubordinated obligations of the Guarantor and rank *pari passu* among themselves and with all other present and future unsecured and unsubordinated obligations of the Guarantor, except for such obligations that are preferred in accordance with applicable law at the relevant time.

4. **Taxation and Payments**

All payments to be made by or on behalf of the Guarantor under this Guarantee (including for the avoidance of doubt, payments by a Paying Agent) shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other governmental charges of any nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of Switzerland or any political subdivision thereof or any authority of or in Switzerland or any political subdivision thereof having power to impose, levy, collect, withhold or assess Taxes, unless withholding, deduction or accounting for such Taxes is required by law.

In the event that any payment to be made by or on behalf of the Guarantor under the Guarantee (including for the avoidance of doubt, payments by a Paying Agent) is subject to any withholding or deduction for, or on account of, any Taxes by requirement of law in Switzerland, the Guarantor shall pay such additional amounts as will result in the Holders receiving the amounts that they would have received under the Guarantee if no such withholding or deduction had been required ("**Additional Amounts**"), except that no Additional Amounts will be payable pursuant to this Clause 4 with respect to this Guarantee:

- (a) if the relevant Holder is liable for such Taxes as a result of having some connection with Switzerland other than its mere ownership or possession of the relevant Note or the receipt of principal or interest in respect thereof; or
- (b) if such Taxes are the result of the relevant Note having been presented for payment more than 30 days after the Relevant Date (where presentment is required), except to the extent that the Holder of such Note would have been entitled to receive such Additional Amounts if it had presented such Note for payment on the last day of the 30-day period; or
- (c) with respect to any Tax collected pursuant to Sections 1471 through 1474 of the US Internal Revenue Code, as amended (the "**Code**"), the regulations promulgated thereunder, or applicable inter-governmental agreements or agreements with the United States Internal Revenue Service entered into in connection with the implementation of such sections of the Code, or legislation enacted by a non-United States jurisdiction in connection with the implementation of such sections of the Code ("**FATCA**"); or
- (d) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of 17 December 2014, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system pursuant to which a Person other than the issuer is required to withhold tax on any interest payments; or
- (e) to the extent any combination of clauses (a) through (d) above applies.

All payments by the Guarantor under this Guarantee will be made by the Guarantor to the [*in the case of Registered Notes: Fiscal Agent*][*in the case of Uncertificated Notes: the Principal Paying Agent*] on behalf of the Holders. The receipt by the [*in the case of Registered Notes: Fiscal Agent*][*in the case of Uncertificated Notes: the Principal Paying Agent*] of payments of funds in the Specified Currency will release the Guarantor from its obligations under the Guarantee to the extent of such payments.

**5. Consolidation or Merger**

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

**6. Amendment**

The Guarantor may, without the consent of the Holders unless so required by mandatory provisions of Swiss law, make any amendment to this Guarantee that it considers to be (i) formal, minor or technical in nature, or (ii) necessary to correct a manifest error or (iii) not materially prejudicial to the interests of the Holders. The Guarantor shall notify the Holders and [*in the case of Registered Notes: Fiscal Agent*][*in the case of Uncertificated Notes: the Principal Paying Agent*] in writing of any amendments made pursuant to this Clause 6 in accordance with Condition 14, which notice shall state the date on which such amendment will be effective. Any amendment made pursuant to this Clause 6 will be binding on the Holders in accordance with its terms.

*[insert Clause 7 in the case of Registered Notes only:*

7. **Rule 144A Information**

If at any time the Guarantor is neither a reporting company under Section 13 or Section 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, the Guarantor will comply with any applicable requirements of Rule 144A(d)(4) under the US Securities Act in relation to the Notes.]

8. **Governing Law and Jurisdiction**

- (a) This Guarantee is governed by, and shall be construed in accordance with, the laws of Switzerland.
- (b) The courts of the Canton of Zurich (venue being the City of Zurich) shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with this Guarantee.

The Guarantor has caused this Guarantee to be duly executed by its authorised officers as of the day and year first above written.

UBS GROUP AG,  
as the Guarantor

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:



## DESCRIPTION OF THE SENIOR DEBT FISCAL AGENCY AGREEMENT

In addition to the Conditions, the Notes will be the subject of a senior debt fiscal agency agreement, to be dated as of 13 March 2018 (as amended, supplemented or otherwise modified from time to time, the "**Senior Debt Fiscal Agency Agreement**"), among UBS Group Funding (Switzerland) AG, UBS Group AG, Deutsche Bank Trust Company Americas (the "**Fiscal Agent**"), in its capacity as fiscal agent, as paying agent, as registrar and as calculation agent (in connection with the Floating Rate Notes), and UBS AG in its capacity as Swiss paying agent. Notes in registered form issued under the Programme prior to the date hereof under the 10 March 2017 base prospectus will continue to have the benefit of the fiscal agency agreement dated as of 10 March 2017 (as may be amended, supplemented or otherwise modified from time to time). The Senior Debt Fiscal Agency Agreement will be governed by New York law. The Fiscal Agent is the agent of the Issuer and the Guarantor, is not a trustee for the Holders and does not have the same responsibilities or duties to act for those Holders as would a trustee or other fiduciary.

The receipt by the Fiscal Agent of due and punctual payment of funds due under the Notes from the Issuer (failing which, the Guarantor), will release each of the Issuer and the Guarantor from such payment obligations under the Notes and the Guarantee, respectively, to the extent of such payment, even if such payment is not ultimately received by the Holders.

Each party to the Senior Debt Fiscal Agency Agreement agrees, and each Holder of the Notes by its acceptance of the Notes will be deemed to have agreed, that in any suit for the enforcement of any right or remedy under the Senior Debt Fiscal Agency Agreement or in any suit against the Fiscal Agent for any action taken, suffered or omitted by it as Fiscal Agent (other than a suit by the Issuer, the Guarantor, the Fiscal Agent or a Holder or group of Holders holding more than ten percent in principal amount of the outstanding Notes, or a suit for the enforcement of the payment of the principal of or interest on any Note on or after the maturity of such Note) that a court may require the filing by any party litigant of an undertaking to pay the costs of such suit and may assess reasonable costs, including reasonable attorneys' fees, against any party litigant.

This Senior Debt Fiscal Agency Agreement and the Notes will not impose any duties or liability, cost or expense upon the Fiscal Agent whatsoever with respect to the exercise of any Swiss Resolution Power or the ordering of any Restructuring Protective Measures. To the extent that any consent, approval or authorization of the Swiss Resolution Authority or any other Person is required for the Issuer's, the Guarantor's or the Fiscal Agent's performance under the Notes, the Guarantee or the Senior Debt Fiscal Agency Agreement, neither the Fiscal Agent nor any other agent shall have any duty or obligation to determine whether such consent, approval or authorization is required or any duty or obligation to obtain such consent, approval or authorization. The Fiscal Agent will comply with any reasonable requests of the Issuer or the Guarantor in order to facilitate the delivery of any required consent, approval or authorization from the Swiss Resolution Authority.

The Fiscal Agent shall not be liable to any Holder or Indirect Holder for taking any action, or abstaining from taking any action, in connection with the Fiscal Agent's implementation of any exercise of any Swiss Resolution Power and/or ordering of any Restructuring Protective Measures. See Condition 18 of the General Terms and Conditions for a discussion of Swiss Resolution Power and Restructuring Protective Measures.

The Notes are not being registered with the SEC and are offered pursuant to exemptions from registration under Rule 144A and Regulation S. The Senior Debt Fiscal Agency Agreement is not, and is not required to be, qualified under the Trust Indenture Act of 1939, as amended. The Notes and the Guarantee are not insured by the United States Federal Insurance Deposit Corporation or any other governmental agency.

A copy of the Senior Debt Fiscal Agency Agreement is available for inspection at the office of the Fiscal Agent located at Trust and Agency Services, 60 Wall Street, 16th Floor, New York, New York 10005, USA.

## MEETINGS OF HOLDERS AND AMENDMENT UNDER SWISS LAW

By operation of law, the provisions on bondholder meetings contained in article 1157 et seq. of the Swiss Federal Code of Obligations apply in relation to meetings of Holders to consider matters affecting their interests as Holders of the Notes. The Holders of each Series of Notes form a community of creditors for the purposes of these provisions. The following summary of such provisions on bondholder meetings is based on the law as in effect in Switzerland as of the date of this Base Prospectus and is subject to change.

A meeting of Holders is called by the Issuer. The Issuer may call such a meeting, but is also required to call a meeting of Holders within 20 days if it is requested to do so by Holders holding an aggregate principal amount of Notes that represents at least one-twentieth of the outstanding aggregate principal amount of the Notes of the relevant Series. The invitation to a meeting of Holders must be published twice in the Swiss Official Gazette of Commerce and, in accordance with the terms and conditions of the Notes of the relevant Series, with the second publication to be made at least ten days prior to such meeting. In the case of Registered Notes, Holders must also be invited to any such meeting by registered letter since such Notes are issued in registered form. The agenda for a meeting of Holders must be announced at least ten days prior to such meeting in the same manner as the invitation.

Only Holders or their proxies will be entitled to attend or vote at a meeting of Holders. In the case of Registered Notes of any Series, so long as such Notes are represented by one or more Global Certificates deposited with the custodian for the Depositary, although the Holders are the only Persons entitled to participate in, and vote at, any meeting of the Holders, the Holder of a Global Certificate may (i) grant written proxies to the relevant Indirect Holders or any other Person to vote at such meeting in respect of each Note represented by such Global Certificate or (ii)(A) obtain instructions from the relevant Indirect Holders in respect of any meeting of Holders, (B) vote at such meeting of Holders in respect of each Note represented by such Global Certificate in accordance with the instructions received from the relevant Indirect Holder and (C) abstain from representing any Note represented by such Global Certificate at a meeting of Holders for which it has not received an instruction from the relevant Indirect Holder. Holders or their representatives that wish to participate at the meeting of Holders must provide a certificate from their depository bank or a central clearing agency confirming that the Notes are blocked for the account of the Holder.

In connection with any meeting of Holders that is held in accordance with the rules described above, in certain circumstances, defined majorities of Holders are able to bind all Holders of the relevant Series of Notes, including Holders that did not attend and vote at such meeting and Holders that voted in a manner contrary to the majority. However, the Holders making up a community of creditors (i.e., all Holders of the relevant Series of Notes) must all be equally affected by any resolution that limits Holders' rights under the Notes, unless every disadvantaged Holder expressly agrees to such resolution. Any resolution approved at a meeting of Holders that favors one or more individual Holders over other Holders will be void. Any resolution approved at a meeting of Holders that affects the rights of the Issuer also requires the Issuer's consent.

The defined majority of Holders required to pass a resolution at a meeting of Holders will depend on whether the rights of Holders are affected by such resolution and, if so, the type of rights affected. The consent of Holders holding at least two-thirds of the outstanding aggregate principal amount of the Notes of the relevant Series is required for specific resolutions exhaustively listed in article 1170 of the Swiss Code of Obligations. Most importantly for the Notes, this requirement applies to resolutions to amend, or forfeit Holders' rights under, the Conditions in any of the following ways:

- approval of a moratorium on interest on the Notes for up to five years, with the option to extend such moratorium up to two more times for up to an additional five years per extension;
- forfeiture of up to five years' worth of interest on the Notes within a seven-year period;
- approval of (i) a decrease in the interest rate on the Notes by up to one-half of the rate set by the terms and conditions of the Notes or (ii) the conversion of the interest rate on the Notes from a fixed rate of interest into a rate dependent on the business results, in the case of each of clause (i) and (ii), for a period of up to ten years, with the option to extend such period for up to an additional five years;

- approval of a stay with respect to, or an extension of the Maturity Date of, the Notes (or portions thereof) if the Notes are due or maturing within five years for up to ten years, with the option to extend such period for up to an additional five years;
- approving the early redemption of the Notes (either in whole or in part);
- granting of a priority lien for new capital raised for the Issuer; and/or
- consent to a full or partial conversion of Notes into shares.

The Issuer may propose one or more of the foregoing resolutions to a meeting of Holders of a particular Series of Notes and make the approval of each such resolution conditional upon the approval of all such resolutions. In addition, the Issuer may propose one or more of the foregoing resolutions to a meeting of Holders of a particular Series of Notes, but make approval of such resolutions conditional upon the approval of the same resolutions by another community of creditors of the Issuer. In such a case, approval of such resolutions will require the approval (x) of Holders representing only a simple majority of the outstanding aggregate principal amount of the Notes of the relevant Series (i.e., rather than two-thirds), (y) by the majority of the communities of creditors resolving by a simple majority of the outstanding aggregate principal amount of the relevant bonds held by such community of creditors (rather than by a two-thirds majority), and (z) the approval of Holders representing at least two-thirds of the outstanding aggregate principal amount of all bonds (including the Notes of the relevant Series) held by the relevant community of creditors.

Unless all Holders of Notes conferring voting rights are present (i.e., all Holders of Notes that are not the Issuer or any of its subsidiaries) and a unanimous decision is reached, in order for any of the above-described resolutions to become effective and binding on non-consenting Holders, such resolution must be approved by the competent superior cantonal composition court, which in the case of the Issuer will be the High Court of the Canton of Zurich (*Obergericht Zürich*). The Issuer must submit such resolutions to the court for approval within one month of their adoption by a meeting of Holders.

Any other resolutions that limit the rights of Holders by amending, or forfeiting rights under, the Conditions may only be passed by unanimous resolution.

In the case of resolutions that do not limit Holders' rights under the Notes, the consent of Holders holding more than half of the outstanding aggregate principal amount of the Notes actually represented at a meeting of Holders of the relevant Series is sufficient to approve such resolution, and no approval by the competent superior cantonal composition court will be required.

Furthermore, in connection with any meeting of Holders, the Holders may appoint a Holders' representative. The consent of Holders representing more than one-half of the outstanding aggregate principal amount of the Notes of the relevant Series is required to (1) revoke or modify the authority conferred on a Holders' representative, if any, or (2) grant a Holders' representative authority to safeguard the rights of all the Holders in insolvency proceedings.

In connection with the above-described matters, the aggregate principal amount of the relevant Series of Notes that is outstanding is determined on the basis of the Notes that confer voting rights (i.e., all Notes with respect to which the Holder is not the Issuer or any of its subsidiaries).

Subject to the mandatory provisions of Swiss law described above, the General Terms and Conditions permit the Issuer to make, without the consent or approval of the Holders, such amendments to the terms and the conditions of the Notes that in its opinion are of a formal, minor or technical nature or made to correct a manifest or proven error, or that in its opinion are not materially prejudicial to the interests of the Holders. The Issuer must notify the Holders of any such amendment in accordance with the applicable Terms and Conditions of the Notes, which notice will state the date on which such amendment will be effective.

## PRO FORMA PRICING SUPPLEMENT

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes described herein are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes described herein or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling such Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>13</sup>

**[MiFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes described herein has led to the conclusion that (i) the target market for such Notes is eligible counterparties and professional clients only, each as defined in [MiFID II][Directive 2014/65/EU ("**MiFID II**")] and (ii) all channels for distribution of such Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.]

Pricing Supplement dated [as of] [ ]

### UBS Group Funding (Switzerland) AG

Issue of [Aggregate Principal Amount of Tranche] [Title of Notes]  
Guaranteed by UBS Group AG  
under the  
Senior Debt Programme

### PART A – CONTRACTUAL TERMS

Terms used but not defined herein shall have the meanings assigned to such terms in, and terms defined herein shall be deemed to be defined as such for purposes of, the General Terms and Conditions set forth in the Base Prospectus dated 13 March 2018[, as supplemented by the supplements thereto dated [date(s)]] ([collectively, ]the "**Base Prospectus**"). This document constitutes the Pricing Supplement of the Tranche of Notes described herein and must be read in conjunction with the Base Prospectus, which together constitute the listing prospectus with respect to the Tranche of Notes described herein for purposes of the listing rules of the SIX Swiss Exchange.

Full information on the Issuer, the Guarantor and the offer of the Tranche of Notes described herein is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus [(including the supplements thereto)] [is][are] available from the Issuer at UBS AG, Zurich, Swiss Prospectus, Switzerland (voicemail: +41 44 239 47 03; fax: +41 44 239 69 14; email: swiss-prospectus@ubs.com).

*[In the case of Registered Notes, insert: **The Notes and the Guarantee have not been registered under the US Securities Act of 1933, as amended (the "US Securities Act"), or any state securities law, and are being offered in the United States only to qualified institutional buyers pursuant to Rule 144A under the US Securities Act and to non-US persons (as defined in Regulation S under the US Securities Act) located outside the United States in offshore transactions in accordance with Regulation S under the US Securities Act.**]*

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Italics denote guidance for completing this Pricing Supplement.]*

<sup>13</sup> NB: include this legend where Part B paragraph 4(ix) (*Prohibition of sales to EEA Retail Investors*) of the Pricing Supplement specifies "Applicable".

1. Issuer: UBS Group Funding (Switzerland) AG
2. Guarantor: UBS Group AG
3. (i) Series Number: *[number/year (e.g. 1/00)]*
- (ii) Tranche Number: *[number (e.g. 1)]*
- (iii) Date on which the Notes become fungible: [Not Applicable] / [The Notes will be consolidated, form a single Series and be interchangeable for trading purposes with *[provide issue amount, maturity date/issue date of earlier Tranches]* on the [Issue Date] / *[specify date]*]
4. Specified Currency: [ ]
5. Aggregate Principal Amount:
  - (i) Series: [ ]
  - (ii) Tranche: [ ]
6. Issue Price: [ ] per cent. of the Aggregate Principal Amount [plus accrued interest from [and including/but excluding] *[insert date]* (in the case of fungible issues only, if applicable)]
7. Original Issue Discount: [No] / [Yes. *[insert description of tax consequences of a Note with original issue discount]*]
8. (i) Specified Denominations: The Notes are issued in minimum denominations of *[currency/amount (e.g. US\$200,000)]* and integral multiples of *[currency/amount (e.g. US\$1,000)]* in excess thereof
- (ii) Calculation Amount: *[currency/amount]*
9. (i) Issue Date: *[day/month/year]*
- (ii) Interest Commencement Date: [The Issue Date] / *[day/month/year]*
10. Maturity Date: *[day/month/year]* / [The Interest Payment Date falling in or nearest to *[specify month and year]*]
11. Interest Basis: [Fixed Rate] / [Fixed Rate/Fixed Rate] / [Floating Rate] / [Fixed Rate/Floating Rate]
12. Redemption/Payment Basis: [Redemption at par, subject to any purchase and cancellation or early redemption] / *[other]*
13. Change of Interest or Redemption/Payment Basis: [Not Applicable] / <sup>14</sup>[Interest will be payable on a Fixed Rate basis from (and including) the Issue Date to (but excluding) the Floating Rate Commencement Date and on a Floating Rate basis from (and including) the Floating Rate Commencement Date to (but excluding) the Maturity Date (see further particulars specified

<sup>14</sup>

For Fixed Rate/Floating Rate Notes.

*in paragraph 21 below)] [specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*

14. Early Redemption:
- (i) Tax Event: At the Issuer's option upon a Tax Event, as more particularly described in Condition 7 (*Redemption and Purchase*)
  - (ii) Issuer Call: [Not Applicable] / [Applicable]
  - (iii) Make-Whole Redemption: [Not Applicable] / [Applicable]
  - (iv) Ineligibility Event: [Not Applicable] / [Applicable]
15. Status of the Notes: Senior, as more particularly described in Condition 4 (*Status of the Notes*)
16. Date approval for issuance of Notes obtained from [a member of] [the Board of Directors] of the Issuer / [ ] [of the Issuer]: [ ]
17. Date approval for issuance of Notes and the Guarantee obtained from [UBS Group Treasurer] / [ ] [of the Guarantor]: [ ]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

18. Fixed Rate Note Provisions: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subclauses of this clause 18)*
- (i) Fixed Rate of Interest: [ ] per cent. per annum
  - (ii) Interest Payment Dates: [ ], as adjusted in accordance with the Business Day Convention]
  - (iii) Business Day Convention: [Not Applicable] / [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [other]
  - (iv) Fixed Coupon Amount: <sup>15</sup>[ ] per Calculation Amount
  - (v) Broken Amount: [ ] per Calculation Amount, payable on the Interest Payment Date falling [in] / [on] [ ] [insert particulars of any initial or final broken interest amounts that do not correspond with the Fixed Coupon Amount(s)]
  - (vi) Day Count Fraction: [Actual/Actual (ICMA)] / [Actual/365] / [Actual/Actual] / [Actual/360] / [30/360] /

<sup>15</sup> For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to adjustment, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Fixed Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resulting figure to the nearest HK\$0.01 (HK\$0.005 being rounded upwards)".

- [Actual/365 (Fixed)] / [other – give details]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes, if different from those set out in the General Terms and Conditions: [give details] / [Not Applicable]
19. Fixed Rate/Fixed Rate Note Provisions: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subclauses of this clause 19)
- (i) Initial Rate of Interest: [ ] per cent. per annum
- (ii) Reset Reference Rate: [ ]
- (iii) Reset Margin: [ ]
- (iv) Reset Date: [ ]
- (v) Reset Determination Date: [ ]
- (vi) Relevant Time: [ ]
- (vii) Interest Payment Dates: [ ], as adjusted in accordance with the Business Day Convention]
- (viii) Business Day Convention: [Not Applicable] / [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [other]
- (ix) Fixed Coupon Amount: <sup>16</sup>[ ] per Calculation Amount
- (x) Broken Amount: [ ] per Calculation Amount, payable on the Interest Payment Date falling [in] / [on] [ ] [insert particulars of any initial or final broken interest amounts that do not correspond with the Fixed Coupon Amount(s)]
- (xi) Day Count Fraction: [Actual/Actual (ICMA)] / [Actual/365] / [Actual/Actual] / [Actual/360] / [30/360] / [Actual/365 (Fixed)] / [other – give details]
- (xii) Other terms relating to the method of calculating interest for Fixed Rate/Fixed Rate Notes, if different from those set out in the General Terms and Conditions: [give details] / [Not Applicable]
20. Floating Rate Note Provisions: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining

<sup>16</sup> For Hong Kong dollar denominated Fixed Rate/Fixed Rate Notes where the Interest Payment Dates are subject to adjustment, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the applicable Fixed Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resulting figure to the nearest HK\$0.01 (HK\$0.005 being rounded upwards)".

subclauses of this clause 20)

- (i) Specified Interest Payment Date(s): [[ ], as adjusted in accordance with the Business Day Convention]] / [Not Applicable]
- (ii) Specified Period(s): [ ], as adjusted in accordance with the Business Day Convention] / [Not Applicable]
- (iii) Business Day Convention: [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [other] / [Not Applicable]
- (iv) Calculation Agent (including Specified Office): [insert name of Calculation Agent] / [insert Specified Office] /  
[UBS AG  
[Bahnhofstrasse 45,  
CH-8001 Zurich  
Switzerland]] /  
[other]
- (v) Reference Rate: [[maturity] [currency] (if applicable)] [BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY TSR] / [LIBOR] / [NIBOR] / [SOR] / [STIBOR] / [US Federal Funds Rate] / [other]
- (vi) Interest Determination Date(s): With respect to any Interest Period, the day falling [ ] / [two London business days] prior to (a) in the case of the first Interest Period, the Issue Date, and (b) otherwise, the Interest Payment Date on which such Interest Period commences.  
  
["**London business day**" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in [ ] and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London.]
- (vii) Relevant Screen Page: [ ] / [Not Applicable]<sup>17</sup>
- (viii) <sup>18</sup>[Relevant Time: [ ]]
- (ix) <sup>19</sup>[Reference Banks: [ ]]
- (x) Margin(s): [+/-][ ] per cent. per annum
- (xi) Minimum Floating Rate of Interest: [ ] / [Not Applicable]
- (xii) Maximum Floating Rate of [ ] / [Not Applicable]

<sup>17</sup> Not Applicable for US Federal Funds Rate.

<sup>18</sup> Only to be included for Reference Rates other than LIBOR, EURIBOR and US Federal Funds Rate.

<sup>19</sup> Only to be included for Reference Rates other than LIBOR, EURIBOR and US Federal Funds Rate.



Interest:

- (xiii) Day Count Fraction: [Actual/Actual (ICMA)] / [Actual/365] / [Actual/Actual] / [Actual/360] / [30/360] / [Actual/365 (Fixed)] / [other – give details]
- (xiv) Other terms relating to the method of calculating interest for Floating Rate Notes (e.g., fallback provisions, rounding provisions, denominator), if different from those set out in the General Terms and Conditions: [give details] / [Not Applicable]
21. Fixed Rate/Floating Rate Note Provisions: [Applicable] / [Not Applicable]
- (If not applicable, delete the remaining subclauses of this clause 21)*
- (i) Fixed Rate of Interest: [ ] per cent. per annum
- (ii) Interest Payment Dates on and prior to the Floating Rate Commencement Date: [ ] until (and including) the Floating Rate Commencement Date [, as adjusted in accordance with the Business Day Convention]
- (iii) Fixed Coupon Amount: <sup>20</sup>[ ] per Calculation Amount
- (iv) Broken Amount: [ ] per Calculation Amount, payable on the Interest Payment Date falling [in] / [on] [ ] [insert particulars of any initial or final broken interest amounts that do not correspond with the Fixed Coupon Amount(s)]
- (v) Floating Rate Commencement Date: [ ]
- (vi) Specified Interest Payment Date(s): [[ ] [and the Maturity Date] [, as adjusted in accordance with the Business Day Convention]] / [Not Applicable]
- (vii) Specified Period(s): [ ][, as adjusted in accordance with the Business Day Convention] / [Not Applicable]
- (viii) Reference Rate: [[maturity] [currency] (if applicable)] [BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY TSR] / [LIBOR] / [NIBOR] / [SOR] / [STIBOR] / [US Federal Funds Rate] / [other]
- (ix) Interest Determination Date(s): With respect to any Interest Period, the day falling [ ] / [two London business days] prior to (a) in the case of the first Interest Period, the Floating Rate Commencement Date, and (b) otherwise, the Interest Payment Date on which such Interest Period commences.
- ["**London business day**"] means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets

<sup>20</sup> For Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to adjustment, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Fixed Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resulting figure to the nearest HK\$0.01 (HK\$0.005 being rounded upwards)".

settle payments in [ ] and are open for general business (including, without limitation, dealing in foreign exchange and foreign currency deposits) in London.]

- (x) Relevant Screen Page: [ ] / [Zero]<sup>21</sup>
- (xi) <sup>22</sup>[Relevant Time: [ ]]
- (xii) <sup>23</sup>[Reference Banks: [ ]]
- (xiii) Margin(s): [+/-][ ] per cent. per annum
- (xiv) Minimum Floating Rate of Interest: [ ] / [Not Applicable]
- (xv) Maximum Floating Rate of Interest: [ ] / [Not Applicable]
- (xvi) Business Day Convention: Fixed Rate of Interest: Not Applicable  
 Floating Rate of Interest: [Following Business Day Convention] / [Modified Following Business Day Convention] / [Modified Business Day Convention] / [Preceding Business Day Convention] / [FRN Convention] / [Floating Rate Convention] / [Eurodollar Convention] / [other]
- (xvii) Day Count Fraction: [Actual/Actual (ICMA)] / [Actual/365] / [Actual/Actual] / [Actual/360] / [30/360] / [Actual/365 (Fixed)] / [other – give details]
- (xviii) Calculation Agent (including Specified Office): [insert name of Calculation Agent] [insert Specified Office] /  
 [UBS AG  
 [Bahnhofstrasse 45,  
 CH-8001 Zurich  
 Switzerland]] /  
 [other]
- (xix) Other terms relating to the method of calculating interest for Fixed Rate/Floating Rate Notes, if different from those set out in the General Terms and Conditions: [give details] / [Not Applicable]

**PROVISIONS RELATING TO REDEMPTION**

- 22. Issuer Call: [Not Applicable] / [Applicable]  
*(If not applicable, delete the remaining subclauses of this clause 22)*
- (i) Optional Redemption Date(s): [ ]

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<sup>21</sup> Not Applicable for US Federal Funds Rate.  
<sup>22</sup> Only to be included for Reference Rates other than LIBOR, EURIBOR and US Federal Funds Rate.  
<sup>23</sup> Only to be included for Reference Rates other than LIBOR, EURIBOR and US Federal Funds Rate.

- (ii) Optional Redemption Amount: [ ] per Calculation Amount
- (iii) Notice period for notice to the Holders if different from that set out in the General Terms and Conditions: [Not less than 15 and no more than 35 days' prior notice] / [ ]
23. Make-Whole Redemption: [Not Applicable] / [Applicable]  
*(If not applicable, delete the remaining subclauses of this clause 23)*
- (i) Make-Whole Redemption Date(s): [ ]
- (ii) Reference Bond(s): [ ]/[Not Applicable]
- (iii) Reinvestment Margin: [ ]
- (iv) Reinvestment Rate Determination Date: [ ]
- (v) Quotation Time: [ ]
- (vi) Notice period for notice to the Holders if different from that set out in the General Terms and Conditions: [Not less than 15 and no more than 35 days' prior notice] / [ ]
24. Ineligibility Issuer Call: [Not Applicable] / [Applicable]  
*(If not applicable, delete the remaining subclauses of this clause 24)*
- (i) Ineligibility Event Redemption Date(s): [ ]
- (ii) Ineligibility Event Redemption Amount: [ ] per Calculation Amount
- (iii) Notice period for notice to the Holders if different from that set out in the General Terms and Conditions: [Not less than 15 and no more than 35 days' prior notice] / [ ]
25. Final Redemption Amount: [ ] per Calculation Amount
26. Tax Redemption Amount: [ ] per Calculation Amount
27. Terms or conditions different from those set out in the General Terms and Conditions: [Not Applicable] / [give details]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

28. Form of Notes: [Uncertificated Notes:<sup>24</sup>  
None of the Issuer, the Guarantor and any Holder will at any time have the right to effect or demand the conversion of the Uncertificated Notes into, or the delivery of, a permanent

<sup>24</sup> In the case of Series offered only on a Regulation S basis.

global certificate (*Globalurkunde*) or individually certificated securities (*Wertpapiere*).

[Registered Notes:<sup>25</sup>

Registered Global Certificates, deposited with [the Fiscal Agent as custodian for, and registered in the name of Cede & Co. as nominee for, DTC] / [ ]

29. <sup>26</sup>[Notices to Holders: *[describe notice details]*]
30. Fiscal Agent (including Specified Office): [Not Applicable] /  
*[insert name of Fiscal Agent]*  
*[insert Specified Office]* /  
*[other]*
31. Principal Paying Agent (including Specified Office) [Not Applicable]/  
[UBS AG  
[Bahnhofstrasse 45,  
CH-8001 Zurich  
Switzerland]] /  
*[other]*
32. <sup>27</sup>[Registrar (including Specified Office): *[insert name of Registrar]*  
*[insert Specified Office]* /  
*[other]*]
33. Business Days: *[insert financial centres]*  
*[insert currency or currencies, if applicable]* /  
*[other definition – give details]*
34. Other terms or conditions different from those set out in the General Terms and Conditions: [Not Applicable] / *[give details]*

*[in the case of Notes to be listed on the SIX Swiss Exchange, insert sections titled "Representative", "No Material Change Statement" and "Responsibility":*

#### **REPRESENTATIVE**

In accordance with article 43 of the Listing Rules of the SIX Swiss Exchange, the Issuer and the Guarantor have appointed [UBS AG] / [ ], located at [Bahnhofstrasse 45, CH-8001 Zurich, Switzerland] /

[ ], as recognised representative to lodge the listing application for the Notes with the SIX Exchange Regulation of the SIX Swiss Exchange.

#### **NO MATERIAL CHANGE STATEMENT**

Except as disclosed in the Base Prospectus, no material changes have occurred in the Issuer's assets and liabilities, financial position or profits and losses since *[insert date of latest annual or interim financial statements]*.

<sup>25</sup> In the case of combination 144A/Regulation S offerings.

<sup>26</sup> Only in the case of Notes that will not be listed on the SIX Swiss Exchange.

<sup>27</sup> In the case of Registered Notes only.

Except as disclosed in the Base Prospectus, no material changes have occurred in the Guarantor's assets and liabilities, financial position or profits and losses since [*insert date of latest annual or interim financial statements*].

## **RESPONSIBILITY**

The Issuer and the Guarantor assume responsibility pursuant to article 27 of the Listing Rules of the SIX Swiss Exchange and section 4 of Scheme E thereunder for the completeness and accuracy of this Pricing Supplement and the Base Prospectus.]

Signed on behalf of the Issuer:

By:

*Duly authorised*

By:

*Duly authorised*

Signed on behalf of the Guarantor:

By:

*Duly authorised*

By:

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [SIX Swiss Exchange] / [Not Applicable]
- (ii) Admission to trading: [The first day of trading on the SIX Swiss Exchange will be *[date]*. Application for definitive listing on the SIX Swiss Exchange will be made as soon as practicable thereafter and (if granted) will only be granted after the Issue Date. The last day of trading on the SIX Swiss Exchange is expected to be *[date]*.] / [Not Applicable]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading)*
- (iii) Minimum Trading Size: [ ] / [Not Applicable]
- (N.B. Required only if multiple denominations can be traded)*

### 2. RATINGS

- Ratings: The Notes have been rated:
- [S&P\*: [ ]]
- [Moody's\*: [ ]]
- [Fitch\*: [ ]]
- [[*Other*]\*: [ ]]
- \*The exact legal name of the rating agency entity providing the rating should be specified – for example "Standard & Poor's Credit Market Services Europe Limited", rather than just Standard and Poor's*
- [Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider]*
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating)*
- [In the case of Registered Notes, insert: A SECURITIES RATING IS NOT A RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND MAY BE REVISED OR WITHDRAWN AT ANY TIME]*

### 3. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

- (i) Reasons for the offer: The Issuer will use the net proceeds of the issuance of the Notes to provide funds to UBS Group AG and its subsidiaries. The members of the Group will use these funds for general corporate purposes,

including providing funds to subsidiaries of UBS Group AG from time to time. The Issuer may provide these funds to members of the Group, and such members may provide such funds so received to other members of the Group, from time to time in the form of senior or subordinated debt, in the form of equity contributions, or otherwise, including on terms that may constitute "loss absorbing capital" of subsidiaries of UBS Group AG. [Initially, the Issuer will lend all the net proceeds of the Notes to [UBS AG, acting through its London branch / UBS Group AG], under a loan agreement, which loan will constitute a direct, unconditional and unsecured obligation of [UBS AG / UBS Group AG] and rank, except in the case of Restructuring Proceedings with respect to [UBS AG / UBS Group AG], *pari passu* with all other present and future unsecured and unsubordinated obligations of [UBS AG / UBS Group AG].][describe any other on-lend set-up, including identity of borrower, whether the borrower's obligations under the loan are senior or subordinated and, if the borrower is subject to a bail-in regime (such as Article 55 of BRRD) at the time of the issuance and/or the loan is intended to constitute internal TLAC, such facts should be disclosed]<sup>28</sup>]

(ii) Estimated net proceeds: [ ]

4. **DISTRIBUTION**

(i) Method of Distribution: [Syndicated] / [Non-syndicated]

(ii) If syndicated, names and address of Managers and underwriting commitments: [Not Applicable] / [give names]

*[Certain Managers are not US registered broker-dealers. Such Managers will not effect any offers or sales of any Notes in the United States unless it is through one or more US registered broker-dealers as permitted by applicable securities laws and the regulations of FINRA.]*

*[ [ ] [is/are] restricted in [its/their] US securities dealings under the United States Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that are offered or sold in the United States. Accordingly, [ ] shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that may be offered or sold by other underwriters in the United States. [Each of] [ ] shall offer and sell the Notes constituting part of its allotment outside the United States.]*

(iii) Date of Subscription Agreement: [ ]

(iv) Stabilising Manager (if any): [ ]

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<sup>28</sup> The net proceeds of each Tranche must be on lent to UBS Group AG and/or one or more of its subsidiaries, so long as the Issuer continues to rely upon the exemption provided by Rule 3a-5 under the US Investment Company Act (unless lending the proceeds to another entity would not violate the requirement to on lend at least 85% of the net proceeds of all debt securities issued by the Issuer from time to time to UBS Group AG or its subsidiaries).

- (v) If non-syndicated, name and address: [UBS Limited]
- (vi) US Selling Restrictions: Reg. S Compliance Category 2 [; Rule 144A]
- (vii) [ERISA: Eligible: [Yes] / [No] *[insert description of restrictions on sales]*]
- (viii) Additional selling restrictions: [ ]
- (ix) Prohibition of sales to EEA Retail Investors: [Applicable/Not Applicable]

5. **OPERATIONAL INFORMATION**

- CUSIP: [ ]
- ISIN Code: [ ]
- Common Code: [ ]
- Swiss Security Number: [ ]
- Relevant Clearing System(s): [Not Applicable] / [DTC] / [SIS] / [Euroclear Bank S.A./N.V.] / [Clearstream Banking, société anonyme] / [Clearstream Banking AG] / *[other]* *[give name(s), address(es) and number(s)]*
- Delivery: Delivery [against/free of] payment
- Settlement Date: [ ] / *[(in the case of 144A offering with settlement other than T+3) It is expected that delivery of the Notes will be made against payment therefor on or about [ ], which will be the [ ] Business Day following the date of the pricing of the Notes. Under Rule 15c6-1 of the US Exchange Act, trades in the secondary market generally are required to settle in three Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or on the next [ ] Business Days will be required, by virtue of the fact that the Notes initially will settle on T+[ ], to specify alternative settlement arrangements to prevent a failed settlement.]*
- <sup>29</sup>[Swiss Paying Agent: [UBS AG  
[Bahnhofstrasse 45,  
CH-8001 Zurich  
Switzerland]] /  
*[other]*]
- Names and addresses of additional Paying Agent(s) (if any) (including Specified Office(s)): [Not Applicable] /  
*[insert name of Paying Agent]*  
*[insert Specified Office] /*  
[UBS AG  
[Bahnhofstrasse 45,

<sup>29</sup>

Include in the case of SIX listed Notes.



CH-8001 Zurich  
Switzerland]] /

[*other*]

*[In the case of Registered Notes, insert:* **THE NOTES AND THE GUARANTEE HAVE NOT BEEN REGISTERED UNDER THE US SECURITIES ACT OR ANY STATE SECURITIES LAW, AND ARE BEING OFFERED IN THE UNITED STATES ONLY TO QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE US SECURITIES ACT AND TO NON-US PERSONS (AS DEFINED IN REGULATION S UNDER THE US SECURITIES ACT) LOCATED OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN ACCORDANCE WITH REGULATION S UNDER THE US SECURITIES ACT.**

**THIS COMMUNICATION DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION.]**

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Switzerland and the United States of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

*Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.*

### **Switzerland**

The following discussion is a summary of certain material Swiss tax considerations based on the legislation as of the date of this Base Prospectus. It does not aim to be a comprehensive description of all the Swiss tax considerations that may be relevant for a decision to invest in Notes. The tax treatment for each investor depends on the particular situation. All investors are advised to consult with their professional tax advisors as to the respective Swiss tax consequences of the purchase, ownership, disposition, lapse, exercise or redemption of Notes in light of their particular circumstances.

#### *Withholding Tax*

Payments of interest on, and the repayment of principal of, the Notes by the Issuer (failing which by the Guarantor) will, at present, not be subject to Swiss federal withholding tax.

On 4 November 2015 the Swiss Federal Council announced that it had mandated the Swiss Federal Finance Department to appoint a group of experts to prepare a proposal for a reform of the Swiss withholding tax system. The proposal is expected to, among other things, replace the current debtor-based regime applicable to interest payments with a paying agent-based regime for Swiss withholding tax. This paying agent-based regime is expected to be similar to the one contained in the draft legislation published by the Swiss Federal Council on 17 December 2014, which was subsequently withdrawn on 24 June 2015. If such a new paying-agent based regime were to be enacted, and were to result in the deduction or withholding of Swiss withholding tax on any interest payments in respect of a Note by any person other than the Issuer, the holder of such Note would not be entitled to receive any Additional Amounts as a result of such deduction or withholding under the terms of the Notes, as the case may be.

#### *Stamp Taxes*

The issue and redemption of Notes by the Issuer are not subject to Swiss federal stamp duty.

Purchases or sales of Notes with a maturity in excess of 12 months where a Swiss or a Liechtenstein domestic bank or a Swiss or a Liechtenstein domestic securities dealer (as defined in the Swiss federal stamp duty law) is a party, or acts as an intermediary, to the transaction may be subject to Swiss federal stamp duty on dealings in securities at a rate of up to 0.15 per cent. of the purchase price of the Notes. Where both the seller and the purchaser of the Notes are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal stamp duty on dealing in securities is payable.

#### *Income Taxation on Principal or Interest*

##### (i) Notes held by non-Swiss holders

Payments by the Issuer of interest on and repayment of principal of Notes to, and the gain realised on the sale or redemption of Notes by, a holder of Notes who (x) is not a resident of Switzerland, (y) during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable and (z) is not subject to income taxation in Switzerland for any other reason, will not be subject to any Swiss federal, cantonal or communal income tax.

(ii) Notes held by Swiss holders as private assets

Individuals who reside in Switzerland and who hold Notes as private assets are required to include all payments of interest made by the Issuer in respect of such Notes in their personal income tax return (including any potential issue discount or repayment premium) and will be taxable on any net taxable income (including the payments of interest in respect of such Notes) for the relevant tax period. Any capital gain or loss realised on the sale or other disposition of such Notes or any loss realised following a Guarantor Restructuring Event will be considered a tax-free capital gain respectively a non-tax-deductible loss.

(iii) Notes held as Swiss business assets

Individuals who hold Notes as part of a business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding Notes as part of a permanent establishment or fixed place of business in Switzerland are required to recognise the payments of interest and any capital gain or loss realised on the sale or other disposition of such Notes or following a Guarantor Restructuring Event in their income statement for the respective tax period and will be taxed on any net taxable earnings for such tax period. The same taxation treatment also applies to Swiss-resident individuals who, for income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings and leveraged transactions in securities.

### **Automatic Exchange of Information in Tax Matters**

On 19 November 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "MCAA"). The MCAA is based on article 6 of the OECD/Council of Europe administrative assistance convention and is intended to ensure the uniform implementation of Automatic Exchange of Information (the "AEOI"). The Federal Act on the International Automatic Exchange of Information in Tax Matters (the "AEOI Act") entered into force on 1 January 2017. The AEOI Act is the legal basis for the implementation of the AEOI standard in Switzerland.

The AEOI is being introduced in Switzerland through bilateral agreements or multilateral agreements. The agreements have, and will be, concluded on the basis of guaranteed reciprocity, compliance with the principle of speciality (i.e. the information exchanged may only be used to assess and levy taxes (and for criminal tax proceedings)) and adequate data protection.

Switzerland has concluded a multilateral AEOI agreement with the EU (replacing the EU savings tax agreement) and has concluded bilateral AEOI agreements with several non-EU countries.

Based on such multilateral agreements and bilateral agreements and the implementing laws of Switzerland, Switzerland will begin to collect data in respect of financial assets, including, as the case may be, Bonds, held in, and income derived thereon and credited to, accounts or deposits with a paying agent in Switzerland for the benefit of individuals resident in a EU member state or in a treaty state from, depending on the effectiveness date of the agreement, 2017 or 2018, as the case may be, and begin to exchange it from 2018 or 2019.

### **FATCA**

For the implementation of FATCA in Switzerland, see below "*United States– FATCA*".

### **United States**

The following is a summary of certain US federal income tax considerations that may be relevant to a beneficial owner of Notes. This section applies to a holder only if the holder acquires Notes in an initial offering and the holder holds its Notes as capital assets for tax purposes. This section does not apply to a holder if it is a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for such holder's securities holdings,
- a bank,

- a life insurance company,
- a tax-exempt organization,
- a holder that owns Notes that are a hedge or that are hedged against interest rate or currency risks,
- a holder that owns Notes as part of a straddle or conversion transaction for tax purposes,
- a holder that purchases or sells Notes as part of a wash sale for tax purposes, or
- a US Holder (as defined below) whose functional currency for tax purposes is not the US dollar.

This section only deals with Notes that are due to mature 30 years or less from the date on which they are issued and are issued with no more than a *de minimis* amount of original issue discount ("**OID**"). The United States federal income tax consequences of owning Notes that are due to mature more than 30 years from their date of issue or are issued with more than a *de minimis* amount of OID will be discussed in an applicable Pricing Supplement.

If a holder purchases Notes at a price other than the offering price, the amortisable bond premium or market discount rules may also apply to such holder. Holders should consult their tax advisor regarding this possibility.

This section is based on the US Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations under the Code, administrative and judicial interpretations thereof, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the Notes, the US federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding the Notes should consult its tax advisor with regard to the US federal income tax treatment of an investment in the Notes.

No rulings have been sought from the US Internal Revenue Service (the "**IRS**") regarding the matters discussed herein, and there can be no assurance that the IRS or a court will agree with the views expressed herein. Investors should consult their tax advisors to determine the tax consequences to them of acquiring, owning and disposing of Notes, including the application to their particular situation of the US tax considerations discussed below, as well as the application of state, local, non-US or other tax laws and the proper characterisation of the Notes for tax purposes.

### ***Characterisation of the Notes***

No statutory, judicial or administrative authority directly addresses the characterisation of the Notes or instruments similar to the Notes for US federal income tax purposes (including instruments with a Voluntary Issuer Substitution or Restructuring Issuer Substitution feature). As a result, significant aspects of the US tax consequences of an investment in the Notes are uncertain. In the opinion of the Issuer's US tax counsel, Sullivan & Cromwell LLP, however, the Notes should be treated as debt instruments for US federal income tax purposes, and the Issuer and the Guarantor intend, absent a change in law, to so treat the Notes. In general, under the Code, the characterisation of an instrument for US tax purposes as debt or equity of a corporation by its Issuer as of the time of issuance is binding on a holder unless the holder discloses on its tax return that it is taking an inconsistent position. The Issuer's characterisation, however, is not binding on the IRS.

Except as stated under "*US Holders—Possible Alternative Treatment of the Notes*" below, the following discussion assumes that the Notes will be treated as debt instruments for US federal income tax purposes. If the Notes were treated as equity for US tax purposes, such treatment would significantly change the tax treatment of the Notes and the tax reporting consequences of an investment in the Notes in ways that may be adverse to US Holders.

### ***US Holders***

A holder is a US Holder if it is a beneficial owner of a Note and is:

- a citizen or resident of the United States,

- a domestic corporation,
- an estate whose income is subject to United States federal income tax regardless of its source, or
- a trust if a US court can exercise primary supervision over the trust's administration and one or more United States persons are authorised to control all substantial decisions of the trust.

If a holder is not a US Holder, this discussion does not apply to it and it should refer to "*Non-US Holders*" below.

#### *Payments of Interest*

Interest payments on a Note will be taxable to a US Holder as ordinary income at the time that such payments are accrued or are received in accordance with the US Holder's method of tax accounting. Interest payments will be treated as foreign source income for purposes of calculating a US Holder's foreign tax credit limitation. The limitation on foreign taxes eligible for the US foreign tax credit is calculated separately with respect to each specific class of income. The rules relating to foreign tax credits and the timing thereof are complex. US Holders should consult their own tax advisors regarding the availability of a foreign tax credit in their particular situation.

The Notes may be issued with a *de minimis* amount of OID. While a US Holder is generally not required to include *de minimis* OID in income prior to the sale or maturity of the Notes, under recently enacted legislation, US Holders that maintain certain types of financial statements and that are subject to the accrual method of tax accounting may be required to include *de minimis* OID on the Notes in income no later than the time upon which they include such amounts in income on their financial statements. US Holders that maintain financial statements should consult their tax advisors regarding the tax consequences to them of this legislation.

#### *Sale or Other Disposition of Notes*

Upon the sale or other disposition of a Note, a US Holder generally will recognise gain or loss equal to the difference between the amount realised on the sale or other disposition, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments) and the US Holder's tax basis in such Note. A US Holder's tax basis in a Note generally will equal the cost of such Note to such holder. Gain or loss recognised by a US Holder generally will be long-term capital gain or loss if the US Holder has held the Note for more than one year at the time of disposition.

Long-term capital gains recognised by an individual US Holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. Capital gain or loss, if any, recognised by a US Holder generally will be treated as US-source income or loss for US foreign tax credit purposes. The deductibility of capital losses is subject to significant limitations.

#### *Voluntary or Restructuring Issuer Substitution Event*

A US Holder may be required to exchange Notes issued by the Issuer for Notes issued by the Guarantor or the other relevant Substitute Issuer upon the occurrence of a Voluntary Issuer Substitution or Restructuring Issuer Substitution as described above under "*General Terms and Conditions of the Notes—Issuer Substitution*". Depending on the circumstances, such an exchange may be considered a taxable disposition resulting in gain or loss as described above under "*Sale or Other Disposition of Notes*". US Holders should consult their own tax advisors regarding the tax consequences of such an exchange, including the possible application of rules that would prevent recognition of loss on the exchange or the possible application of the rules pertaining to OID as defined in the Code, which may require a US Holder to include in gross income (as ordinary income) on a constant-yield basis the excess of the stated principal amount of the new securities over their issue price if such amount exceeds a *de minimis* threshold.

#### *Write-down, cancellation or conversion into equity of UBS Group AG by the Swiss Resolution Authority on a Guarantor Restructuring Event*

Following a Guarantor Restructuring Event, the Swiss Resolution Authority may take certain actions in respect of the Notes, including the write-down and cancellation and/or conversion into equity of UBS Group AG of some or all of the principal and/or accrued interest on the Notes, as described above under "*General Terms and Conditions of the Notes—Swiss Resolution Power and Restructuring Protective*

*Measures*". No statutory, judicial or administrative authority directly addresses the US federal income tax treatment of a write-down or cancellation of some or all of the principal and/or accrued interest on the Notes, including whether a US Holder would be entitled to a deduction for loss at the time it occurs. US Holders may, for example, be required to wait to take a deduction until there is an actual or deemed sale, exchange or other taxable disposition of the remaining Notes for which recognition of losses is permitted under the Code. The conversion of the Notes into equity of UBS Group AG would be a taxable disposition resulting in gain or loss as described above under "*Sale or Other Disposition of Notes*". US Holders should consult their own advisers regarding the tax consequences to them of a write-down and cancellation and/or conversion into equity of UBS Group AG of their Notes by the Swiss Resolution Authority.

#### *Possible Alternative Treatment of the Notes*

As discussed above, significant aspects of the US tax consequences of an investment in the Notes are uncertain. In particular, the IRS could assert that the Notes should be characterised for US tax purposes as equity of the Issuer or of the Guarantor, with consequences generally as summarised below.

*Equity of the Issuer.* If the Notes were treated as equity of the Issuer for US tax purposes, a US Holder may be treated as owning equity in a passive foreign investment company ("**PFIC**") for US tax purposes. If a US Holder were treated as owning equity in a PFIC, a US Holder would be subject to special rules applicable to PFICs on any disposition of the Notes and on certain payments on the Notes that are treated as "excess distributions" (generally, any payments during a single taxable year that are greater than 125 per cent. of the average annual payments received in respect of the Notes during the three preceding taxable years or, if shorter, the holder's holding period for the Notes). Under these special rules, (i) any gain realised on the disposition of the Notes and any excess distribution will be allocated ratably over the US Holder's holding period for the Notes, (ii) the amount allocated to the taxable year in which the US Holder realised the gain or excess distribution will be taxed as ordinary income, (iii) the amount allocated to each prior year will be taxed at the highest tax rate in effect for that year, and (iv) the interest charge generally applicable to underpayments of tax will be imposed in respect of the tax attributable to each such year. Prospective investors should consult their own tax advisers regarding the possible tax and reporting consequences to them if the Notes were recharacterised as equity of the Issuer.

*Equity of the Guarantor.* If the Notes were treated as equity of the Guarantor for US tax purposes, a US Holder likely would be treated as owning equity of a foreign corporation that is not a PFIC for US tax purposes (as discussed below). Interest payments on the Notes generally would be reported as dividends paid on the stock of the Guarantor for US tax purposes. Provided the Guarantor is not a PFIC, such dividends may be eligible to be treated as "qualified dividends" taxable to a non-corporate US Holder at a maximum rate of 20 per cent., although there is uncertainty as to the eligibility for such treatment of instruments that are treated as equity for US tax purposes but have the legal form of debt. Based on the Guarantor's audited and unaudited consolidated financial statements, the Issuer believes that the Guarantor was not treated as a PFIC for US tax purposes with respect to its 2017 taxable year. In addition, based on such financial statements and current expectations regarding the value and nature of the Guarantor's assets and the sources and nature of the Guarantor's income, the Issuer does not anticipate the Guarantor becoming a PFIC for the 2018 taxable year. Prospective investors should consult their own tax advisers regarding the tax consequences to them if the Notes were recharacterised as equity of the Guarantor, and in such case the availability of this reduced dividend tax rate for interest payments on the Notes.

#### *Specified Foreign Financial Assets*

Owners of "specified foreign financial assets" with an aggregate value in excess of US\$50,000 (and in some cases, a higher threshold) are generally required to file an information statement along with their tax returns, currently on IRS Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a foreign financial institution, as well as securities issued by a foreign issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. US Holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisers concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

### ***Non-US Holders***

Subject to the discussion below under the heading "*Information Reporting and Backup Withholding*" and "*Foreign Account Tax Compliance Act*", a holder of a Note that is not a US Holder should generally not be subject to US federal income tax by withholding or otherwise on payments of interest (including additional amounts) or principal on a Note, or gain realized in connection with the sale, or other disposition of a Note unless such gain is effectively connected with a trade or business conducted by the non-US holder in the United States or unless the non-US holder is a non-resident alien individual and is present in the US for 183 days or more during the taxable year in which such gain is realized and certain other conditions exist.

### ***Information Reporting and Backup Withholding***

Information returns will be required to be filed with the IRS with respect to payments of principal and interest on a Note made to certain holders (including certain US Holders and certain holders that are not US Holders) and to the payment of proceeds from the sale of a Note to certain holders. In addition, certain holders may be subject to backup withholding tax in respect of such payments if they do not provide accurate identification information on the applicable IRS Form W-8 or W-9 or certification of exempt status or otherwise comply with the applicable backup withholding requirements.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a holder will be allowed as a credit against the holder's US federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS in the manner required. Holders should consult their tax advisors as to their qualification for exemption from information reporting and/or backup withholding.

### ***Foreign Account Tax Compliance Act***

Pursuant to certain provisions of the Code, commonly known as FATCA, a "*foreign financial institution*" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Switzerland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining "*foreign passthru payments*" are filed with the US Federal Register generally would be "*grandfathered*" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

**If you are in any doubt as to your tax position you should consult your professional tax adviser.**

## ERISA MATTERS

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to ERISA, including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, "**Plans**"), should consider the fiduciary standards of ERISA in the context of the plan's particular circumstances before authorising an investment in the Notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit an employee benefit plan, as well as individual retirement accounts ("**IRAs**") and Keogh plans subject to Section 4975 of the Code (also "**Plans**"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the plan. A violation of these "prohibited transaction" rules may result in excise tax or other liabilities under ERISA and Section 4975 of the Code for such persons, unless exemptive relief is available under an applicable statutory or administrative exemption. Therefore, a fiduciary of an employee benefit plan should also consider whether an investment in Notes might constitute or give rise to a prohibited transaction under ERISA and the Code. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-US plans (as described in Section 4(b)(4) of ERISA) ("**Non-ERISA Arrangements**") are not subject to the requirements of ERISA or Section 4975 of the Code, but may be subject to federal, state, local or non-US law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("**Similar Laws**").

UBS Group AG, UBS Securities LLC and other affiliates of UBS AG may each be considered a party in interest or disqualified person with respect to many Plans. This could be the case, for example, if one of these companies is a service provider to a Plan. Special caution should be exercised, therefore, before Notes are purchased by a Plan. In particular, the fiduciary of the Plan should consider whether exemptive relief is available under an applicable administrative or statutory exemption. The Department of Labor has issued five prohibited transaction class exemptions that could apply to exempt the purchase, sale and holding of Notes from the prohibited transaction provisions of ERISA and the Code. Those class exemptions are Prohibited Transaction Exemption 96-23 (for certain transactions determined by in-house asset managers), Prohibited Transaction Exemption 95-60 (for certain transactions involving insurance company general accounts), Prohibited Transaction Exemption 91-38 (for certain transactions involving bank collective investment funds), Prohibited Transaction Exemption 90-1 (for certain transactions involving insurance company separate accounts), and Prohibited Transaction Exemption 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of securities, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more and receives no less than adequate consideration in connection with the transaction (the so-called "**service provider exemption**").

Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of Notes will be deemed to have represented, in its corporate and fiduciary capacity, by its purchase and holding of Notes that either (a) it is not a Plan or Non-ERISA Arrangement and is not purchasing such securities on behalf of or with the assets of any Plan or Non-ERISA Arrangement or (b) its purchase, holding and disposition shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or a comparable violation of any Similar Law.

Any purchaser or holder of Notes or any interest therein that is a Plan and that acquires Notes in connection with an offering under this Prospectus will be deemed to have represented by its purchase and holding of Notes that a fiduciary (the "**Fiduciary**") independent of the Issuer, the Guarantor, UBS AG, UBS Limited or UBS Securities LLC or any of their respective affiliates (the "**Transaction Parties**") acting on the Plan's behalf is responsible for the Plan's decision to acquire or hold the Notes and that such Fiduciary:

- (i) is either a US bank, a US insurance carrier, a US registered investment adviser, a US registered broker-dealer or an independent fiduciary with at least US\$50 million of assets under



management or control, in each case under the requirements specified in the US Code of Federal Regulations, 29 C.F.R. Section 2510.3-21(c)(1)(i), as amended from time to time,

- (ii) in the case of a Plan that is an IRA, is not the IRA owner, beneficiary of the IRA or relative of the IRA owner or beneficiary,
- (iii) is capable of evaluating investment risks independently, both in general and with regard to the prospective investment in the Notes,
- (iv) is a fiduciary under ERISA or the Code, or both, with respect to the decision to acquire or hold the Notes,
- (v) has exercised independent judgment in evaluating whether to invest the assets of the Plan in the Notes,
- (vi) understands and has been fairly informed of the existence and the nature of the financial interests of the Transaction Parties in connection with the Plan's acquisition or holding of the Notes,
- (vii) understands that the Transaction Parties are not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity to the Plan, in connection with the Plan's acquisition or holding of the Notes, and
- (viii) confirms that no fee or other compensation will be paid directly to any of the Transaction Parties by the Plan, or any fiduciary, participant or beneficiary of the Plan, for the provision of investment advice (as opposed to other services) in connection with the Plan's acquisition or holding of the Notes.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement consult with their counsel regarding the consequences under ERISA and the Code of the acquisition of Notes and the availability of exemptive relief under any available exemptions, such as Prohibited Transaction Exemption 96-23, 95-60, 91-38, 90-1 or 84-14, the service provider exemption or a similar exemption from Similar Laws. Purchasers of Notes have exclusive responsibility for ensuring that their purchase and holding of Notes do not violate the fiduciary or prohibited transaction rules of ERISA or the Code or any Similar Laws. The sale of any Notes to a Plan or Non-ERISA Arrangement is in no respect a representation by UBS Group AG or any of its affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan or Non-ERISA Arrangement generally or any particular Plan or Non-ERISA Arrangement, or that such investment is appropriate for such Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement. Any offering is not directed to any particular purchaser, nor does it address the needs of any particular purchaser. None of the Issuer, the Guarantor, nor any of the affiliates of the Issuer or the Guarantor shall provide any advice or recommendation with respect to the management of any purchase of the Notes or the advisability of acquiring, holding, disposing or exchanging of the Notes.

## SELLING RESTRICTIONS

Subject to all legal and regulatory requirements, Notes may be issued from time to time by the Issuer to any one or more of UBS Limited, UBS Securities LLC and UBS AG (the "**Dealers**") or to any other person. The arrangements under which Notes may from time to time be agreed to be issued by the Issuer to, and subscribed by, Dealers are set out in (i) a dealer agreement for the issuance of uncertificated notes dated 13 March 2018 (the "**Uncertificated Notes Dealer Agreement**") and (ii) a dealer agreement for the issuance of registered notes dated 13 March 2018 (the "**Registered Notes Dealer Agreement**" and, together with the Uncertificated Notes Dealer Agreement, the "**Dealer Agreements**" and each a "**Dealer Agreement**"), in each case as made between the Issuer, the Guarantor and the Dealers and as such Dealer Agreement may be amended or supplemented or superseded from time to time. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and a single Dealer for that Tranche to be issued by the Issuer and subscribed by that Dealer, the method of distribution will be described in the Pricing Supplement as "Non-Syndicated" and the name of that Dealer and any other interest of that Dealer which is material to the issue of that Tranche beyond the fact of the appointment of that Dealer will be set out in the relevant Pricing Supplement. If in the case of any Tranche of Notes the method of distribution is an agreement between the Issuer and more than one Dealer for that Tranche to be issued by the Issuer and subscribed by those Dealers, the method of distribution will be described in the relevant Pricing Supplement as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will, except in the case of those Notes denominated in Swiss francs and those Notes issued pursuant to the Registered Notes Dealer Agreement (where the obligations will be several and not joint), be joint and several and the names and addresses of those Dealers and any other interests of any of those Dealers which is material to the issue of that Tranche beyond the fact of the appointment of those Dealers will be set out in the relevant Pricing Supplement. Any such agreement for the issue and subscription of Notes will, *inter alia*, cover the price of the Notes, any commissions or other deductibles in respect of the Notes, the Form of the Notes, any other commercial terms of the issue and subscription of the Notes themselves, and any syndication or underwriting of the issue. Each Dealer Agreement makes provision for the resignation or renewal of existing Dealers and the appointment of additional or other Dealers, either generally in respect of the Programme or in relation to a particular Series or Tranche of Notes.

### UNITED STATES

*(Regulation S Category 2; Rule 144A eligible if so specified in the relevant Pricing Supplement)*

#### United States of America

The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

#### *Uncertificated Notes*

The Notes are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the United States Code and regulations thereunder.

Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the relevant subscription agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### ***Registered Notes***

Each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the relevant Dealer Agreement, it will offer, sell or deliver the Notes as part of their distribution at any time only in accordance with Rule 903 of Regulation S or Rule 144A.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to agree that, except as provided in the Dealer Agreement, it has not offered and sold Notes and will not offer and sell Notes as part of its distribution at any time except in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Registered 144A Notes Dealer Agreement provides that the Dealers may directly or may, through their respective US broker dealer affiliates, arrange for the offer and resale of the Notes in the United States only to qualified institutional buyers in reliance on Rule 144A.

### ***Rule 144A Notes***

Any purchaser of Rule 144A Notes, by accepting delivery of this Base Prospectus and the Rule 144A Notes, will be deemed to have represented, agreed and acknowledged as follows:

- (i) It (A) is a qualified institutional buyer, (B) is acquiring the Rule 144A Notes for its own account or for the account of one or more qualified institutional buyers, (C) is not formed for the purpose of investing in the Rule 144A Notes or the Issuer and (D) is aware, and each beneficial owner of such Rule 144A Notes has been advised, that the sale of the Rule 144A Notes to it is being made in reliance on Rule 144A.
- (ii) The Rule 144A Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a qualified institutional buyer purchasing for its own account or for the account of one or more qualified institutional buyers, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) in accordance with another exemption from the registration requirements of the Securities Act (provided that prior to such transfer, the Issuer, the Guarantor or the Fiscal Agent may require an opinion of counsel and other certifications or documents evidencing that such transfer is in compliance with the Securities Act), in each case in accordance with any applicable securities laws of any State of the United States and it will, and each subsequent holder of the Rule 144A Notes is required to, notify any purchaser of the Rule 144A Notes from it of the resale restrictions on the Rule 144A Notes.
- (iii) The Rule 144A Notes and any Registered Definitive Certificates offered in reliance on Rule 144A or exchanged for Rule 144A Notes ("**Rule 144A Certificates**") will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR ANY OTHER APPLICABLE US STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES, EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**QIB**")) PURCHASING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE NOTES OTHER THAN (1) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, OR (2) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE

SECURITIES ACT (PROVIDED THAT PRIOR TO SUCH TRANSFER, THE ISSUER, THE GUARANTOR OR THE FISCAL AGENT MAY REQUIRE AN OPINION OF COUNSEL AND OTHER CERTIFICATIONS OR DOCUMENTS EVIDENCING THAT SUCH TRANSFER IS IN COMPLIANCE WITH THE SECURITIES ACT), IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED NOTES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER, HOLDER OR SUBSEQUENT TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT, AND IS NOT ACTING DIRECTLY OR INDIRECTLY ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING DIRECTLY OR INDIRECTLY ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT ("**IRA**") OR OTHER ARRANGEMENT AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA, THE CODE OR ANY SIMILAR LAW TO INCLUDE, "PLAN ASSETS" OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN, ACCOUNT OR ARRANGEMENT, EACH AS DESCRIBED IN (I) OR (II) (AND EACH, A "**PLAN**"), AND NO PORTION OF THE ASSETS USED TO ACQUIRE THIS NOTE (OR ANY INTEREST HEREIN) CONSTITUTES "PLAN ASSETS" OF ANY SUCH PLAN, OR (IV) A PLAN (SUCH AS A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), A NON-US PLAN (AS DESCRIBED IN SECTION 4(B)(4) OF ERISA) AND CERTAIN CHURCH PLANS (AS DEFINED IN SECTION 3(33) OF ERISA AND THAT HAVE MADE NO ELECTION UNDER SECTION 410(D) OF THE CODE)), ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO ANY US FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR A VIOLATION OF ANY SUCH SIMILAR LAW).

BY ACCEPTANCE OF THIS NOTE, EACH HOLDER OF THE NOTE OR ANY INTEREST THEREIN THAT IS A PLAN AND THAT ACQUIRES NOTES WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING OF THE NOTES OFFERED HEREBY THAT A FIDUCIARY (THE "**FIDUCIARY**") INDEPENDENT OF THE ISSUER, , THE GUARANTOR, UBS AG, UBS LIMITED OR UBS SECURITIES LLC OR ANY OF THEIR AFFILIATES (THE "**TRANSACTION PARTIES**") ACTING ON THE PLAN'S BEHALF IS RESPONSIBLE FOR THE PLAN'S DECISION TO ACQUIRE AND HOLD THE NOTES AND THAT SUCH FIDUCIARY:

- (a) IS EITHER A US BANK, A US INSURANCE CARRIER, A US REGISTERED INVESTMENT ADVISER, A US REGISTERED BROKER-DEALER OR AN INDEPENDENT FIDUCIARY WITH AT LEAST US\$50 MILLION OF ASSETS UNDER MANAGEMENT OR CONTROL, IN EACH CASE UNDER THE REQUIREMENTS SPECIFIED IN THE US CODE OF FEDERAL REGULATIONS, 29 C.F.R. SECTION 2510.3-21(C)(1)(I), AS AMENDED FROM TIME TO TIME;
- (b) IN THE CASE OF A PLAN THAT IS AN IRA, IS NOT THE IRA OWNER, BENEFICIARY OF THE IRA OR RELATIVE OF THE IRA OWNER OR BENEFICIARY;
- (c) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO THE PROSPECTIVE INVESTMENT IN THE NOTES;
- (d) IS A FIDUCIARY UNDER ERISA OR THE CODE, OR BOTH, WITH RESPECT TO THE DECISION TO ACQUIRE OR HOLD THE NOTES;
- (e) HAS EXERCISED INDEPENDENT JUDGMENT IN EVALUATING WHETHER TO INVEST THE ASSETS OF THE PLAN IN THE NOTES;
- (f) UNDERSTANDS AND HAS BEEN FAIRLY INFORMED OF THE EXISTENCE AND THE NATURE OF THE FINANCIAL INTERESTS OF THE TRANSACTION PARTIES IN CONNECTION WITH THE PLAN'S ACQUISITION OR HOLDING OF THE NOTES;
- (g) UNDERSTANDS THAT THE TRANSACTION PARTIES ARE NOT UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY TO THE PLAN, IN CONNECTION WITH THE PLAN'S ACQUISITION OR HOLDING OF THE NOTES; AND
- (h) CONFIRMS THAT NO FEE OR OTHER COMPENSATION WILL BE PAID DIRECTLY TO ANY OF THE TRANSACTION PARTIES BY THE PLAN, OR ANY FIDUCIARY, PARTICIPANT OR BENEFICIARY OF THE PLAN, FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE PLAN'S ACQUISITION OR HOLDING OF THE NOTES.

BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH HOLDER OF THE NOTES AND EACH BENEFICIAL OWNER OF NOTES ACKNOWLEDGES, AGREES TO BE BOUND BY, AND CONSENTS TO THE EXERCISE OF, ANY SWISS RESOLUTION POWER (AS DEFINED IN THE TERMS AND CONDITIONS (AS DEFINED BELOW)) WITH RESPECT TO UBS GROUP AG THAT RESULTS IN THE WRITE-DOWN AND CANCELLATION OF THE ENTIRE, OR A PORTION OF THE, PRINCIPAL AMOUNT OF, AND/OR ACCRUED INTEREST ON, THE NOTES AND/OR CONVERSION INTO EQUITY OF UBS GROUP AG OF THE ENTIRE, OR A PORTION OF THE, PRINCIPAL AMOUNT OF, AND/OR ACCRUED INTEREST ON, THE NOTES, IRRESPECTIVE OF WHETHER SUCH CLAIMS HAVE ALREADY BECOME DUE AND PAYABLE PRIOR TO THE OCCURRENCE OF SUCH ACTION. BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH SUCH HOLDER AND BENEFICIAL OWNER FURTHER ACKNOWLEDGES, AGREES TO BE BOUND BY, AND CONSENTS TO THE ORDERING OF, ANY RESTRUCTURING PROTECTIVE MEASURES (AS DEFINED IN THE TERMS AND CONDITIONS) THAT RESULTS IN THE DEFERMENT OF PAYMENT OF PRINCIPAL AND/OR INTEREST UNDER THE NOTES. BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH HOLDER OF NOTES AND EACH BENEFICIAL OWNER OF NOTES FURTHER ACKNOWLEDGES AND AGREES THAT ITS RIGHTS ARE SUBJECT TO, AND, IF NECESSARY, WILL BE ALTERED WITHOUT SUCH HOLDER'S OR OWNER'S CONSENT, INCLUDING BY MEANS OF AN AMENDMENT OR MODIFICATION TO THE NOTES AND THE TERMS AND CONDITIONS OF THE NOTES,

SO AS TO GIVE EFFECT TO ANY SUCH EXERCISE OF SWISS RESOLUTION POWER OR ANY SUCH ORDERING OF RESTRUCTURING PROTECTIVE MEASURES.

BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH HOLDER OF THE NOTES AND EACH BENEFICIAL OWNER OF NOTES THAT ACQUIRES ITS NOTES OR BENEFICIAL INTEREST THEREIN IN THE SECONDARY MARKET SHALL BE DEEMED TO ACKNOWLEDGE, AGREE TO BE BOUND BY AND CONSENT TO THE PROVISIONS SPECIFIED IN THE TERMS AND CONDITIONS TO THE SAME EXTENT AS THE HOLDERS OF THE NOTES AND BENEFICIAL OWNERS OF NOTES THAT ACQUIRE THE NOTES UPON THEIR INITIAL ISSUANCE, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO THE ACKNOWLEDGEMENT AND AGREEMENT TO BE BOUND BY AND CONSENT TO THE TERMS AND CONDITIONS, INCLUDING THOSE TERMS AND PROVISIONS RELATING TO ANY SWISS RESOLUTION POWER, ANY RESTRUCTURING PROTECTIVE MEASURES AND ANY ISSUER SUBSTITUTION (EACH AS DEFINED IN THE TERMS AND CONDITIONS).

- (iv) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer and the relevant Dealer(s). If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Upon the transfer, exchange or replacement of a Rule 144A Note or a Rule 144A Registered Global Certificate bearing the legend referred to above, or upon specific request for removal of the legend, the Issuer will deliver only Rule 144A Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the relevant Registrar an opinion reasonably satisfactory to the Issuer of United States counsel experienced in giving opinions with respect to questions arising under the securities laws of the United States to the effect that neither such legend nor the restrictions on transfer set forth therein are required to maintain compliance with the provisions of such laws.

**Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

***Regulation S Notes issued as Registered Notes***

Each purchaser of Regulation S Notes issued as Registered Notes and sold pursuant to Regulation S and each subsequent purchaser of such Regulation S Notes in resales, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.
- (ii) It understands that such Regulation S Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and that it will not offer, sell, pledge or otherwise transfer such Regulation S Notes to, or for the account or benefit of, a US Person (a) as part of its distribution at any time or (b) otherwise until 40 days after the later of (x) the day on which such Notes are first offered to persons other than distributors (as defined in Regulation S) and (y) the day on which the closing of the offering of such Notes occurs, except in either case in accordance with Regulation S or Rule 144A, and it will have sent to each broker-dealer to which it sells Regulation S Notes in reliance on Regulation S during such 40 day period, a confirmation or other notice detailing the restrictions on offers and sales of the Regulation S Notes within the United States or to, or for

the account or benefit of, US persons. Terms used in this paragraph have the meanings given to them by Regulation S.

- (iii) It understands that the Regulation S Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QIB OR (2) IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH NOTES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED NOTES GENERALLY. THE HOLDER OF THIS NOTE SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER, HOLDER OR SUBSEQUENT TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT, AND IS NOT ACTING DIRECTLY OR INDIRECTLY ON BEHALF OF, AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE, AND WILL NOT BE ACTING DIRECTLY OR INDIRECTLY ON BEHALF OF, (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE US EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A PLAN, INDIVIDUAL RETIREMENT ACCOUNT ("**IRA**") OR OTHER ARRANGEMENT AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE US INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA, THE CODE OR ANY SIMILAR LAW TO INCLUDE, "PLAN ASSETS" OF ANY SUCH EMPLOYEE BENEFIT PLAN OR OTHER PLAN, ACCOUNT OR ARRANGEMENT, EACH AS DESCRIBED IN (I) OR (II) (AND EACH, A "**PLAN**"), AND NO PORTION OF THE ASSETS USED TO ACQUIRE THIS NOTE (OR ANY INTEREST HEREIN) CONSTITUTES "PLAN ASSETS" OF ANY SUCH PLAN, OR (IV) A PLAN (SUCH AS A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), A NON-US PLAN (AS DESCRIBED IN SECTION 4(B)(4) OF ERISA) AND CERTAIN CHURCH PLANS (AS DEFINED IN SECTION 3(33) OF ERISA AND THAT HAVE MADE NO ELECTION UNDER SECTION 410(D) OF THE CODE)), ACCOUNT OR OTHER ARRANGEMENT THAT IS SUBJECT TO ANY US FEDERAL, STATE, LOCAL OR NON-US LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF TITLE I OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (B) ITS ACQUISITION, HOLDING AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR A VIOLATION OF ANY SUCH SIMILAR LAW).

BY ACCEPTANCE OF THIS NOTE, EACH HOLDER OF THE NOTE OR ANY INTEREST THEREIN THAT IS A PLAN AND THAT ACQUIRES NOTES WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE AND HOLDING OF THE NOTES OFFERED HEREBY THAT A FIDUCIARY (THE "**FIDUCIARY**") INDEPENDENT OF THE ISSUER, THE GUARANTOR, UBS AG, UBS LIMITED OR UBS SECURITIES LLC OR ANY OF THEIR AFFILIATES (THE "**TRANSACTION PARTIES**") ACTING ON THE PLAN'S BEHALF IS RESPONSIBLE FOR THE PLAN'S DECISION TO ACQUIRE AND HOLD THE NOTES AND THAT SUCH FIDUCIARY:

- (a) IS EITHER A US BANK, A US INSURANCE CARRIER, A US REGISTERED INVESTMENT ADVISER, A US REGISTERED BROKER-DEALER OR AN INDEPENDENT FIDUCIARY WITH AT LEAST US\$50 MILLION OF ASSETS UNDER MANAGEMENT OR CONTROL, IN EACH CASE UNDER THE REQUIREMENTS SPECIFIED IN THE US CODE OF FEDERAL REGULATIONS, 29 C.F.R. SECTION 2510.3-21(C)(1)(I), AS AMENDED FROM TIME TO TIME;
- (b) IN THE CASE OF A PLAN THAT IS AN IRA, IS NOT THE IRA OWNER, BENEFICIARY OF THE IRA OR RELATIVE OF THE IRA OWNER OR BENEFICIARY;
- (c) IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO THE PROSPECTIVE INVESTMENT IN THE NOTES;
- (d) IS A FIDUCIARY UNDER ERISA OR THE CODE, OR BOTH, WITH RESPECT TO THE DECISION TO ACQUIRE OR HOLD THE NOTES;
- (e) HAS EXERCISED INDEPENDENT JUDGMENT IN EVALUATING WHETHER TO INVEST THE ASSETS OF THE PLAN IN THE NOTES;
- (f) UNDERSTANDS AND HAS BEEN FAIRLY INFORMED OF THE EXISTENCE AND THE NATURE OF THE FINANCIAL INTERESTS OF THE TRANSACTION PARTIES IN CONNECTION WITH THE PLAN'S ACQUISITION OR HOLDING OF THE NOTES;
- (g) UNDERSTANDS THAT THE TRANSACTION PARTIES ARE NOT UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE, OR TO GIVE ADVICE IN A FIDUCIARY CAPACITY TO THE PLAN, IN CONNECTION WITH THE PLAN'S ACQUISITION OR HOLDING OF THE NOTES; AND
- (h) CONFIRMS THAT NO FEE OR OTHER COMPENSATION WILL BE PAID DIRECTLY TO ANY OF THE TRANSACTION PARTIES BY THE PLAN, OR ANY FIDUCIARY, PARTICIPANT OR BENEFICIARY OF THE PLAN, FOR THE PROVISION OF INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE PLAN'S ACQUISITION OR HOLDING OF THE NOTES.

BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH HOLDER OF THE NOTES AND EACH BENEFICIAL OWNER OF NOTES ACKNOWLEDGES, AGREES TO BE BOUND BY, AND CONSENTS TO THE EXERCISE OF, ANY SWISS RESOLUTION POWER (AS DEFINED IN THE TERMS AND CONDITIONS (AS DEFINED BELOW)) WITH RESPECT TO UBS GROUP AG THAT RESULTS IN THE WRITE-DOWN AND CANCELLATION OF THE ENTIRE, OR A PORTION OF THE, PRINCIPAL AMOUNT OF, AND/OR ACCRUED INTEREST ON, THE NOTES AND/OR CONVERSION INTO EQUITY OF UBS GROUP AG OF THE ENTIRE, OR A PORTION OF THE, PRINCIPAL AMOUNT OF, AND/OR ACCRUED INTEREST ON, THE NOTES, IRRESPECTIVE OF WHETHER SUCH CLAIMS HAVE ALREADY BECOME DUE AND PAYABLE PRIOR TO THE OCCURRENCE OF SUCH ACTION. BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH SUCH HOLDER AND BENEFICIAL OWNER FURTHER ACKNOWLEDGES, AGREES TO BE BOUND BY, AND CONSENTS TO THE ORDERING OF, ANY RESTRUCTURING



PROTECTIVE MEASURES (AS DEFINED IN THE TERMS AND CONDITIONS) THAT RESULTS IN THE DEFERMENT OF PAYMENT OF PRINCIPAL AND/OR INTEREST UNDER THE NOTES. BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH HOLDER OF NOTES AND EACH BENEFICIAL OWNER OF NOTES FURTHER ACKNOWLEDGES AND AGREES THAT ITS RIGHTS ARE SUBJECT TO, AND, IF NECESSARY, WILL BE ALTERED WITHOUT SUCH HOLDER'S OR OWNER'S CONSENT, INCLUDING BY MEANS OF AN AMENDMENT OR MODIFICATION TO THE NOTES AND THE TERMS AND CONDITIONS OF THE NOTES, SO AS TO GIVE EFFECT TO ANY SUCH EXERCISE OF SWISS RESOLUTION POWER OR ANY SUCH ORDERING OF RESTRUCTURING PROTECTIVE MEASURES.

BY ACCEPTANCE OF ANY DIRECT OR BENEFICIAL INTEREST IN THE NOTES, EACH HOLDER OF THE NOTES AND EACH BENEFICIAL OWNER OF NOTES THAT ACQUIRES ITS NOTES OR BENEFICIAL INTEREST THEREIN IN THE SECONDARY MARKET SHALL BE DEEMED TO ACKNOWLEDGE, AGREE TO BE BOUND BY AND CONSENT TO THE PROVISIONS SPECIFIED IN THE TERMS AND CONDITIONS TO THE SAME EXTENT AS THE HOLDERS OF THE NOTES AND BENEFICIAL OWNERS OF NOTES THAT ACQUIRE THE NOTES UPON THEIR INITIAL ISSUANCE, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO THE ACKNOWLEDGEMENT AND AGREEMENT TO BE BOUND BY AND CONSENT TO THE TERMS AND CONDITIONS, INCLUDING THOSE TERMS AND PROVISIONS RELATING TO ANY SWISS RESOLUTION POWER, ANY RESTRUCTURING PROTECTIVE MEASURES AND ANY ISSUER SUBSTITUTION (EACH AS DEFINED IN THE TERMS AND CONDITIONS).

- (iv) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Regulation S Notes is no longer accurate, it shall promptly notify the Issuer and the relevant Dealer(s). If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

#### **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

Unless the applicable Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended); and
- (b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented

and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 150 offerees*: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC as amended, including by Directive 2010/73/EU, and includes any relevant implementing measure in the Relevant Member State.

## **SELLING RESTRICTIONS ADDRESSING ADDITIONAL UNITED KINGDOM SECURITIES LAWS**

In relation to each Tranche of Notes, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

- (a) *No deposit-taking*: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;
- (b) *Financial Promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not or would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (c) *General Compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## REPUBLIC OF ITALY

The offering of the Notes and the Guarantees have not been registered pursuant to Italian securities legislation and, accordingly, each Dealer has represented and agreed that any offer, sale or delivery of the Notes or the Guarantees or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any offer, sale or delivery of the Notes and the Guarantees or distribution of copies of this Base Prospectus or any other document relating to the Notes and the Guarantees in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, Legislative Decree No. 58 of 24 February 1998 and, CONSOB Regulation No. 16190 of 29 October 2007 (in each case, as amended) and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, both as amended from time to time) or any other Italian authority.

## JAPAN

The Notes and Guarantees have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**") and, accordingly, each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, "**resident of Japan**" means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## SINGAPORE

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "**MAS**"). Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes and Guarantees or caused the Notes and the Guarantees to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes and Guarantees or cause the Notes and the Guarantees to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes and the Guarantees, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes and the Guarantees are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes and the Guarantees pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **HONG KONG**

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that:

1. it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
2. it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

## **FRANCE**

Each Dealer has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes or the Guarantees to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus or any other offering material relating to the Notes and the Guarantees and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*), as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

## **PEOPLE'S REPUBLIC OF CHINA**

The Dealers and Investors have acknowledged that this Base Prospectus, or the Notes or any material or information contained or incorporated by reference in this Base Prospectus relating to the Notes, have not been, and will not be submitted to, or approved/verified by or registered with the China Securities Regulatory Commission ("**CSRC**") or other relevant governmental and regulatory authorities in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan (the "**PRC**") pursuant to relevant laws and regulations. Accordingly, the Notes and the Guarantees may not be offered or sold directly or indirectly in the PRC and the Base Prospectus may not be supplied to the public in the PRC or used in connection with any offer for subscription or sale of the Notes and the Guarantees in the PRC directly or indirectly. The material or information contained or incorporated by reference in the Base Prospectus relating to the Notes and the

Guarantees does not constitute an offer to sell or the solicitation of an offer to buy any securities by any person in the PRC. The Notes and the Guarantees may only be offered or sold to PRC investors that are authorised to engage in the purchase of securities of the type being offered or sold.

Each Dealer has represented, warranted and agreed with the Issuer and UBS Group AG that it has not made, and will not make, any offers, promotions, solicitations for sales of or for, as the case may be, any Notes or the Guarantees in the PRC, except where permitted by the China Securities Regulatory Commission, the People's Bank of China and other competent authorities or where the activity otherwise is permitted under the PRC law. PRC investors should note that they themselves are responsible for informing themselves about observing all legal and regulatory restrictions, obtaining all relevant government regulatory approvals/licenses, verifications and/or registrations from all relevant governmental authorities (including but not limited to the China Securities Regulatory Commission, the People's Bank of China and/or the State Administration of Foreign Exchange), and complying with all the applicable PRC regulations, including but not limited to any relevant PRC foreign exchange regulations and/or foreign investment regulations.

## **GENERAL**

Persons into whose hands this Base Prospectus comes are required by the Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes and the Guarantees or have in their possession or distribute such offering material and to obtain any consent, approval or permission required by them for the purchase, offer, sale or delivery by them of any Notes and the Guarantees under the law and regulations in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales or deliveries, in all cases at their own expense, and none of the Issuer, the Guarantor nor any Dealer shall have responsibility therefor. In accordance with the above, any Notes and the Guarantees purchased by any person which it wishes to offer for sale or resale may not be offered in any jurisdiction in circumstances which would result in the Issuer and the Guarantor being obliged to register any further prospectus or corresponding document relating to the Notes and the Guarantees in such jurisdiction.

In particular, but without limiting the generality of the preceding paragraph, and subject to any amendment or supplement which may be agreed with the Issuer in respect of any particular Series or Tranche, each purchaser of Notes and the Guarantees must comply with the restrictions described above, except to the extent that, as a result of changes in, or in the official interpretation of, any applicable legal or regulatory requirements, non-compliance would not result in any breach of the requirements set forth in the preceding paragraph.

## GENERAL INFORMATION

1. The update of the Programme was authorised by one member of the Board of Directors of the Issuer on 12 March 2018 and by the Group Treasurer of the Guarantor on 12 March 2018. The Issuer and the Guarantor have obtained or will obtain from time to time, all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes or the Guarantees, as the case may be.
2. It is expected that this Base Prospectus will be submitted to the SIX Swiss Exchange for registration as an "issuance programme" for the listing of bonds on the SIX Swiss Exchange in accordance with the SIX Listing Rules. If approved, in respect of any Series of Notes to be listed on the SIX Swiss Exchange, this Base Prospectus (as supplemented as of the date of the relevant Pricing Supplement), together with the relevant Pricing Supplement, will constitute the listing prospectus for purposes of the SIX Listing Rules.
3. The Issuer has undertaken, in connection with the admission to trading of the Notes, that if while any Notes are outstanding and admitted to listing on SIX Swiss Exchange there shall occur any significant new factor which is not reflected in this Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in this Base Prospectus) and/or there shall be any material mistake or inaccuracy relating to the information included in this Base Prospectus (or any supplements thereto or any of the documents incorporated by reference in this Base Prospectus), in each case which is capable of affecting the assessment of the Notes, the Issuer will prepare or procure the preparation of any amendment or supplement to this Base Prospectus or, as the case may be, publish a new Base Prospectus for use in connection with any subsequent offering by the Issuer of Notes to be admitted to trading on the SIX Swiss Exchange.
4. Except as otherwise disclosed in this Base Prospectus (including in the documents incorporated by reference herein), there are no court, arbitral or administrative proceedings (including any such proceedings which are pending or threatened, of which the Issuer or the Guarantor is aware) which are of material importance to the Issuer's or the Guarantor's assets and liabilities or profits and losses.
5. Except as otherwise disclosed in this Base Prospectus (including in the documents incorporated by reference herein), no material changes have occurred in the Guarantor's assets and liabilities, financial position or profits and losses since 31 December 2017.
6. Except as otherwise disclosed in this Base Prospectus (including in the documents incorporated by reference herein), no material changes have occurred in the Issuer's assets and liabilities, financial position or profits and losses since 31 December 2017.
7. Upon incorporation of the Issuer, Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel ("**Ernst & Young**") were appointed as auditors of the Issuer. Based on article 18 of the Articles of Association, the Issuer's shareholders elect the auditors for a term of office of one year. Ernst & Young is a member of EXPERTsuisse, and the Swiss Expert Association for Audit, Tax and Fiduciary.
8. Based on article 39 of the Articles of Association, UBS Group AG shareholders elect the auditors for a term of office of one year. At the AGMs of 10 May 2016 and 4 May 2017, Ernst & Young were elected as auditors for the consolidated and standalone financial statements of UBS Group AG for a one-year term. Ernst & Young is a member of EXPERTsuisse, and the Swiss Expert Association for Audit, Tax and Fiduciary.
9. As long as any Notes are admitted to trading on the SIX Swiss Exchange, at least one Paying Agent will be maintained in Zurich.
10. Copies of this Base Prospectus (including the documents incorporated by reference herein) are available during normal business hours at Swiss Prospectus, at UBS AG, Zurich, Switzerland (voicemail: +41 44 239 47 03, fax +41 44 239 69 14, email: [swiss-prospectus@ubs.com](mailto:swiss-prospectus@ubs.com)).
11. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and UBS Group AG and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Such investments and securities activities may involve securities and/or instruments of the Issuer and UBS Group AG or their respective affiliates. For the purpose of this paragraph the term "affiliates" include also parent companies.

12. The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

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**REGISTERED OFFICE OF THE GUARANTOR**

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