

Dated 31 May 2017



UBS AG

(incorporated with limited liability in Switzerland)

Euro Note Programme

Arranger

UBS Investment Bank

Under this Euro Note Programme (the "**Programme**"), UBS AG (the "**Issuer**") (acting through its head offices in Basel and Zurich ("**UBS Head Office**") or its London branch ("**UBS AG London Branch**"), Jersey branch ("**UBS AG Jersey Branch**"), Australian branch ("**UBS AG Australia Branch**"), Hong Kong branch ("**UBS AG Hong Kong Branch**"), or any of its other branches outside Switzerland as it may from time to time determine (each a "**Branch**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). Following the establishment in 2014 of UBS Group AG as the holding company for the UBS Group and the parent company of UBS AG, the Issuer together with its subsidiaries is referred to herein as "**UBS AG (consolidated)**" or "**UBS AG Group**"; the Issuer together with its holding company and the subsidiaries of both companies is referred to herein as "**UBS**", "**UBS Group**", "**UBS Group AG (consolidated)**" or the "**Group**".

This Base Prospectus (the "**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive (as defined herein). The Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange (the "**Main Securities Market**") or other regulated markets for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments ("**MiFID**") or which are to be offered to the public in any member state of the European Economic Area. There can be no assurance that any such admission to trading will be obtained. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for Notes issued under the Programme during the 12 months from the date of the Base Prospectus to be admitted to the official list and trading on its regulated market. This document constitutes a base prospectus for the purposes of the Prospectus Directive.

Application will be made to list the Notes issued under the Programme on the official list of the Luxembourg Stock Exchange and for Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange (*Bourse de Luxembourg*). The Central Bank has been requested to provide the Luxembourg *Commission de Surveillance du Secteur Financier* ("**CSSF**") (in its capacity as Luxembourg's competent authority for the purposes of the Prospectus Directive) with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

Application has been made to the Irish Stock Exchange for the approval of this document as Base Listing Particulars (the "**Base Listing Particulars**"). Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the 12 months from the date of the Base Listing Particulars to be admitted to the official list and to trading on the global exchange market (the "**Global Exchange Market**") which is the exchange regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of MiFID.

In addition, application will be made to list the Notes issued under the Programme on the Luxembourg Stock Exchange's Euro MTF Market. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of MiFID. The Luxembourg Stock Exchange's Euro MTF Market is not a regulated market for the purposes of MiFID.

It is expected that the Base Listing Particulars 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 Series (as defined herein) of Notes to be listed on the SIX Swiss Exchange during the 12 months from the date of this Base Listing Particulars, this Base Listing Particulars, together with the relevant Pricing Supplement (as defined below), will constitute the listing prospectus for purposes of the SIX Listing Rules.

For each issue of Notes under the Programme which will require a prospectus under the Prospectus Directive, final terms which contain the information required to complete this Base Prospectus for the relevant issue (each a "**Final Terms**"), or a separate prospectus specific to such issue of Notes (each a "**Drawdown Prospectus**"), will be prepared.

For each issue of Notes which will not require a prospectus under the prospectus directive, a pricing supplement specific to such issue of Notes (each a "**Pricing Supplement**"), will be prepared.

Application has been made to the Central Bank for certificates of approval under Article 18 of the Prospectus Directive as implemented in Ireland to be issued by the Central Bank to the competent authorities in Austria, Belgium, France, Germany, the Netherlands, Spain and the United Kingdom.

In addition to the applications already described above, the Issuer may, on or after the date of this Base Prospectus, make applications for one or more further certificates of approval under Article 18 of the Prospectus Directive as implemented in Ireland to be issued by the Central Bank to the competent authority in any other Member State.

The Issuer has confirmed to the dealers (the "**Dealers**") named under "*Selling Restrictions*" that (i) this Base Prospectus and/or Base Listing Particulars is true and accurate in all material respects and not misleading; (ii) there are no other facts in relation to the information contained or incorporated by reference in this Base Prospectus/Base Listing Particulars the omission of which would, in the context of the issue of the Notes, make any statement in the Base Prospectus/Base Listing Particulars (as applicable) misleading in any material respect; and (iii) all reasonable enquiries have been made to verify the foregoing. The Issuer has further confirmed to the Dealers that, in relation to any Notes issued under the Programme, this Base Prospectus (together with the relevant Final Terms) or this Base Listing Particulars (together with the relevant Pricing Supplement) contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, profits and losses and financial position of the Issuer and its subsidiaries and of the rights attaching to the relevant Notes.

The Issuer accepts responsibility for the information contained in this Base Prospectus/Base Listing Particulars. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus/Base Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

UBS AG Australia Branch is regulated as a foreign authorised deposit-taking institution for the purposes of the Banking Act of Australia 1959 ("**Australian Banking Act**"). The depositor protection provisions of Division 2 of Part II of the Australian Banking Act do not apply to the Issuer (including UBS AG Australia branch). The Notes are neither "protected accounts" nor "deposit liabilities" within the meaning of the Australian Banking Act. However, under section 11F of the Australian Banking Act, if the Issuer (whether in or outside Australia) suspends payment or becomes unable to meet its obligations, the assets of the Issuer in Australia are to be available to meet its liabilities in Australia (including where those liabilities are in respect of the Notes) in priority to all other liabilities of the Issuer. Further, under section 86 of the Reserve Bank Act 1959 of Australia, debts due by the Issuer to the Reserve Bank of Australia shall in a winding-up of the Issuer have priority over all other debts of the Issuer.

Certain figures included in this Base Prospectus/Base Listing Particulars 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.

IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES

Certain Tranches of Notes with a denomination of less than EUR100,000 (or its equivalent in any other currency) may, subject as provided below, be offered in any Relevant Member State (as defined herein) in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Base Prospectus as a "**Public Offer**". This Base Prospectus has been prepared on a basis that permits public offer of Notes in Ireland, Luxembourg, Austria, Belgium, France, Germany, the Netherlands, Spain and the United Kingdom (each a "**Public Offer Jurisdiction**" and together, the "**Public Offer Jurisdictions**"). Any person making or intending to make a Public Offer of Notes on the basis of this Base Prospectus must do so only with the Issuer's consent - see "*Consent given in accordance with Article 3.2 of the Prospectus Directive*" below.

If after the date of this Base Prospectus the Issuer intend(s) to add one or more Relevant Member States to the list of Public Offer Jurisdictions for any purpose, they will prepare a supplement to this Base Prospectus specifying such Relevant Member State(s) and any relevant additional information required by the Prospectus Directive. Such supplement will also set out provisions relating to the consent of the Issuer to the use of this Base Prospectus in connection with any Public Offer in any such additional Public Offer Jurisdiction.

Consent given in accordance with Article 3.2 of the Prospectus Directive

In the context of any Public Offer of Notes in a Public Offer Jurisdiction, the Issuer accepts responsibility, in that Public Offer Jurisdiction, for the content of this Base Prospectus in relation to any person (an "Investor") who purchases any Notes in that Public Offer Jurisdiction made by a Dealer or an **Authorised Offeror** (as defined below), where that offer is made during the Offer Period (as defined below).

Except in the circumstances described below, the Issuer has not authorised the making of any offer by any offeror and the Issuer has not consented to the use of this Base Prospectus by any other person in connection with any offer of Notes in any jurisdiction. Any offer made without the consent of the Issuer is unauthorised and neither the Issuer nor, for the avoidance of doubt, any of the Dealer accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

If, in the context of a Public Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus for the purpose of the relevant Public Offer and, if so, who that person is. If an Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents, the Investor should take legal advice.

Consent

The Issuer consents and (in connection with paragraph (b)(i) below) offers to grant its consent, to the use of this Base Prospectus (as supplemented at the relevant time, if applicable) in connection with any Public Offer of a Tranche of Notes in the Public Offer Jurisdictions specified in the relevant Final Terms during the Offer Period specified in the relevant Final Terms by:

(a) Specific consent

- (i) the Manager(s) specified in the relevant Final Terms;
- (ii) any financial intermediaries specified in the relevant Final Terms;
- (iii) any other financial intermediary appointed after the date of the relevant Final Terms and whose name is published on the website of the Irish Stock Exchange (www.ise.ie) by way of announcement and identified as an Authorised Offeror in respect of the relevant Public Offer; and

(b) General consent

- (i) if General Consent is specified in the relevant Final Terms as applicable, any other financial intermediary which (a) is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments, including under any applicable implementing measure in each relevant jurisdiction ("**MiFID**"); and (b) accepts such offer by publishing on its website the following statement (with the information in square brackets duly completed with the relevant information) (the "**Acceptance Statement**");

*"We, [specify name of financial intermediary], refer to the offer of [specify title of the Notes] (the "**Notes**") described in the Final Terms dated [specify date] (the "**Final Terms**") published by [ISSUER] (the "**Issuer**"). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus), we accept the offer by the Issuer. We confirm that we are authorised under MiFID to make, and are using the Base Prospectus in connection with, the Public Offer accordingly. Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Base Prospectus."*

Any financial intermediary falling within paragraph (b)(i) above who wishes to use this Base Prospectus in connection with a Public Offer as set out above is required, for the duration of the relevant Offer Period, to publish on its website the Acceptance Statement.

The consent referred to above relates to Offer Periods occurring within 12 months from the date of this Base Prospectus.

Authorised Offerors

The financial intermediaries referred to in paragraphs (a)(ii) and (iii) and (b)(i) above are together referred to herein as the "**Authorised Offerors**".

Arrangements between an Investor and the Authorised Offeror who will distribute the Notes

Neither the Issuer nor, for the avoidance of doubt, any of the Managers has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to such Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between that Authorised Offeror and such Investor including as to price, allocations and settlement arrangements (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with such Investor and, accordingly, this Base Prospectus does not, and any Final Terms will not, contain such information. The Terms and Conditions of the Public Offer shall be provided to such Investor by that Authorised Offeror at the time the offer is made. None of the Issuer or, for the avoidance of doubt, any of the Managers or other Authorised Offerors has any responsibility or liability for such information.

The Issuer has not authorised the making of any representation, or the provision of information, regarding the Issuer or the Notes other than as contained in the Base Prospectus/Base Listing Particulars or the relevant Final Terms, Drawdown Prospectus or Pricing Supplement or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Dealers or any of them.

Neither this Base Prospectus/Base Listing Particulars 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/Base Listing Particulars 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/Base Listing Particulars 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/Base Listing Particulars and any Final Terms, Drawdown Prospectus or 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/Base Listing Particulars 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/Base Listing Particulars or any Final Terms, Drawdown Prospectus or Pricing Supplement and other offering material relating to the Notes, see "*Selling Restrictions*" and the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. Neither this Base Prospectus/Base Listing Particulars nor any Final Terms, Drawdown Prospectus or 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.

This Base Prospectus/Base Listing Particulars has not been, nor will be, lodged with the Australian Securities and Investments Commission and is not a 'prospectus' or other 'disclosure document' for the purposes of the Corporations Act.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Notes have not been, and will not be, registered under the United States 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 include Notes in bearer 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, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes are being offered and sold (A) in registered form in the United States to "qualified institutional buyers" ("**QIBs**") only (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) in reliance on Rule 144A and (B) in registered, bearer or uncertificated form outside the United States to non-U.S. persons only (as defined in Regulation S) in reliance on Regulation S, **provided that** Notes eligible for sale in the United States to QIBs and to persons that are not U.S. persons in reliance on Regulation S will be in registered form and may be represented by a single unified global note (a "**Unified Global Note**"). 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. See "*Selling Restrictions*".

THE NOTES HAVE NOT 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/BASE LISTING PARTICULARS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

For as long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the 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 "**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 Securities Act.

WARNING:

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to the offer. If an investor is in any doubt about any of the contents of this document, the investor should obtain independent professional advice.

IMPORTANT – EEA RETAIL INVESTORS - If the applicable Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the EEA (as defined below). 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 the Prospectus Directive. 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.

DEFINITIONS

All references in this document to:

- "**Australia**" are to the Commonwealth of Australia;

- "Australian dollars", "AUD" and "A\$" are to the currency of Australia;
- "China" and the "PRC" are to the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan, Macau and Hong Kong;
- the "EEA" are to the European Economic Area;
- the "EU" are to the European Union;
- "euro" and "€" are 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;
- "HK\$" and "Hong Kong dollars" are to the currency of Hong Kong;
- "Hong Kong" are to the Hong Kong Special Administrative Region of the People's Republic of China;
- "Japanese Yen" and "JPY" are to the currency of Japan;
- a "Member State" are to a Member State of the European Economic Area;
- "Pounds sterling" and "GBP" are to the currency of the United Kingdom;
- the "Prospectus Directive" for the purpose of this Base Prospectus are to Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and include any relevant implementing measure in the Relevant Member State;
- a "Relevant Member State" are to any Member State of the European Economic Area which has implemented the Prospectus Directive;
- "Renminbi", "Chinese Yuan" and "CNY" are to the currency of the PRC;
- "Singapore" are to the Republic of Singapore;
- "Swiss francs" and "CHF" are to the currency of Switzerland;
- "Switzerland" are to the Swiss Confederation;
- the "UK" or "United Kingdom" are to the United Kingdom of Great Britain and Northern Ireland;
- the "United States" or "US." are to the United States of America; and
- "US dollars", "USD" and "US\$" are to the currency of the United States of America.

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 Notes or effect transactions with a view to supporting the market price of the 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

Details of the solicited credit ratings assigned by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), Moody's Investors Service Ltd. ("**Moody's**"), Fitch Ratings Limited ("**Fitch Ratings**") and Scope Ratings AG ("**Scope Ratings**"), all of which are established in the EU and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (the "**CRA Regulation**"), to UBS AG can be found in Element B.17 (*Ratings assigned to the Issuers or their Debt Securities*) of the "Summary" section of this Base Prospectus and in the section of this Base Prospectus headed "*Description of UBS AG*".

Tranches of Notes issued under the Programme will be rated or unrated. Where a rating has been solicited for a particular Tranche of Notes, the applicable rating(s) will be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to UBS AG described in this Base Prospectus or the rating(s) assigned to Notes already issued.

Whether or not each credit rating applied for in relation to a relevant Tranche of Notes is (1) issued by a credit rating agency established in the EU and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (the "**CRA Regulation**"), (2) issued by a credit rating agency which is not established in the EU but will be endorsed by a credit rating agency which is established in the EU and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EU but which is certified under the CRA Regulation will be disclosed in the Final Terms, Drawdown Prospectus or Pricing Supplement.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Base Prospectus/Base Listing Particulars and anyone who receives this Base Prospectus/Base Listing Particulars must not distribute it to any person who is not entitled to receive it.

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. See "Risk Factors - Risks relating to the Notes - Rating" for a description of risks relating to credit ratings.

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A - E (A.1 - E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".

Italics in particular Elements denote placeholders for completing the issue specific summary relating to a Tranche of Notes for which such issue specific summary is to be prepared.

This summary applies to Notes which are issued under the Prospectus Directive regime.

Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.

Section A - Introduction and Warnings		
A.1	Introduction:	<p><i>Warning that:</i></p> <ul style="list-style-type: none"> • <i>this summary should be read as introduction to the Base Prospectus;</i> • <i>any decision to invest in the Notes should be based on consideration of the Base Prospectus as a whole by the investor;</i> • <i>where a claim relating to the information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated; and</i> • <i>civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus or it does not provide, when read together with the other parts of the Base Prospectus, key information in order to aid investors when considering whether to invest in such Notes.</i>
A.2	Consent:	<p><i>[Not Applicable]. [The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) on the following basis:</i></p> <p><i>(a) the relevant Public Offer must occur during the period from and including [●] to but excluding [●] (the "Offer Period");</i></p> <p><i>(b) the relevant Authorised Offeror must publish an Acceptance Statement, as contained in the base Prospectus, on its website and satisfy the following additional conditions [●].</i></p> <p><i>The Issuer consents to the use of the Base Prospectus in connection with a Public Offer of the Notes by [●] on the following basis:</i></p> <p><i>(a) the relevant Public Offer must occur during the period from and including [●] to but excluding [●] (the "Offer Period");</i></p>

		(b) <i>the relevant Authorised Offeror must satisfy the following conditions: [●].]</i>
		An Investor intending to acquire or acquiring any Notes from an Authorised Offeror will do so, and offers and sales of the Notes to an Investor by an Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocation, settlement arrangements and any expenses or taxes to be charged to the Investor (the "Terms and Conditions of the Public Offer"). The Issuer will not be a party to any such arrangements with Investors (other than Dealers) in connection with the offer or sale of the Notes and, accordingly, this Base Prospectus and any Final Terms will not contain such information. The Terms and Conditions of the Public Offer shall be published by that Authorised Offeror on its website at the relevant time. None of the Issuers, any of the Dealers or other Authorised Offerors has any responsibility or liability for such information.

Section B - Issuer		
B.1	Legal name of the Issuer:	<p>UBS AG (the "Issuer") (acting through its head offices in Basel and Zurich ("UBS Head Office"), or its London branch ("UBS AG London Branch"), Jersey branch ("UBS AG Jersey Branch"), Australian branch ("UBS AG Australia Branch"), Hong Kong branch ("UBS AG Hong Kong Branch") or any of its other branches outside Switzerland as it may from time to time determine (UBS AG London Branch, UBS AG Jersey Branch, UBS AG Australia Branch, UBS AG Hong Kong Branch, or such other branch outside Switzerland, a "Branch")). Following the establishment in 2014 of UBS Group AG as the holding company for the UBS Group and the parent company of UBS AG, the Issuer together with the subsidiaries of both companies is referred to herein as "UBS AG (consolidated)" or "UBS AG Group"; the Issuer together with its holding company and the subsidiaries of both companies is referred to herein as "UBS", "UBS Group", "UBS Group AG (consolidated)" or the "Group".</p> <p><i>[UBS Head Office/UBS AG London Branch/UBS AG Jersey Branch/UBS AG Australia Branch/UBS AG Hong Kong Branch/UBS AG [name of Branch]]</i></p>
	Commercial name of the Issuer:	UBS AG
B.2	Domicile, legal form, legislation and country of incorporation of the Issuer:	<p>The Issuer was incorporated under the name SBC AG on 28 February 1978 for an unlimited duration and entered in the Commercial Register of Canton Basel-City on that day. On 8 December 1997, the company changed its name to UBS AG. The company in its present form was created on 29 June 1998 by the merger of Union Bank of Switzerland (founded 1862) and Swiss Bank Corporation (founded 1872). UBS AG is entered in the Commercial Registers of Canton Zurich and Canton Basel-City. The registration number is CHE-101.329.561.</p> <p>UBS AG is incorporated and domiciled in Switzerland and operates under the Swiss Code of Obligations as an <i>Aktiengesellschaft</i>, a corporation limited by shares.</p>

		<p>The addresses and telephone numbers of UBS AG's two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8001 Zurich, Switzerland, telephone +41 44 234 1111; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 5050.</p>
B.4b	Trends:	<p>As indicated in the UBS Group First Quarter 2017 Report, improved investor sentiment and enhanced confidence have not yet fully translated into a sustained increase in client activity levels. While the global recovery is likely to continue, macroeconomic uncertainty, geopolitical tensions and divisive politics pose risks that may affect client sentiment and transaction volumes. Low and negative interest rates, particularly in Switzerland and the eurozone, continue to present headwinds to net interest margins. These may be partially offset by the effect of higher US dollar interest rates and a further normalization of monetary policy. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increased capital requirements, interest and operating costs. UBS is well positioned to mitigate these challenges and benefit from further improvements in market conditions.</p>
B.5	The Group:	<p>UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100 per cent. owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank) and a Corporate Center.</p> <p>Since 2014, UBS has undertaken a series of measures to improve the resolvability of the Group in response to too big to fail ("TBTF") requirements in Switzerland and other countries in which the Group operates.</p> <p>In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and became the holding company of the UBS Group. During 2015, UBS Group AG completed a court procedure under the Swiss Stock Exchange and Securities Trading Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG owns 100 per cent. of the outstanding shares of UBS AG.</p> <p>In June 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. Also in 2015, UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK, and established UBS Business Solutions AG as a direct subsidiary of UBS Group AG to act as the Group service company. The purpose of the service company structure is to improve the resolvability of the Group by enabling UBS to maintain operational continuity of critical services should a recovery or resolution event occur.</p> <p>In the second half of 2015, UBS transferred the ownership of the majority of its existing service subsidiaries outside the US to UBS Business Solutions AG. As of 1 January 2017, UBS completed the transfer of the shared service employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG. In the second quarter of 2017, UBS has begun the transfer of shared services functions in Switzerland and the UK from UBS AG to UBS Business Solutions AG. Following the transfer, UBS Business Solutions AG will charge other legal entities within the Group for services</p>

		<p>provided, including a markup on costs incurred. The transfer is not expected to materially affect the UBS Group AG consolidated financial statements. However, it is expected to decrease UBS AG consolidated and standalone operating profit before tax. The transfer is not expected to have a significant effect on RWA and the LRD of UBS Group AG consolidated, UBS AG consolidated and UBS AG standalone.</p> <p>As of 1 July 2016, UBS Americas Holding LLC was designated as intermediate holding company for UBS's US subsidiaries as required under the enhanced prudential standards regulations pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). UBS Americas Holding LLC holds all of UBS's US subsidiaries and is subject to US capital requirements, governance requirements and other prudential regulation.</p> <p>In addition, UBS transferred the majority of the operating subsidiaries of Asset Management to UBS Asset Management AG during 2016. Furthermore, UBS merged its Wealth Management subsidiaries in Italy, Luxembourg (including its branches in Austria, Denmark and Sweden), the Netherlands and Spain into UBS Deutschland AG, which was renamed to UBS Europe SE, to establish UBS's new European legal entity which is headquartered in Frankfurt, Germany.</p> <p>UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments, including the anticipated exit of the United Kingdom from the European Union. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, further consolidation of operating subsidiaries in the EU and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with the Swiss Financial Market Supervisory Authority FINMA ("FINMA") and other regulatory authorities and remain subject to a number of uncertainties that may affect their feasibility, scope or timing.</p>
B.9	Profit Estimate:	Not Applicable. The Issuer has not made any profit estimates or forecasts in the Base Prospectus.
B.10	Audit Report Qualifications:	Not Applicable. There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2016 and 31 December 2015, which are incorporated by reference into this document.
B.12	Selected Key Financial Information:	<p>Selected Consolidated Financial Information</p> <p>UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2016, 2015 and 2014, except where indicated, from the UBS Group AG's and UBS AG's annual report for the year ended 31 December 2016 ("Annual Report 2016"), which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2016 and comparative figures for the years ended 31 December 2015 and 2014. The selected consolidated financial information included in the table below for the quarters ended 31 March 2017 and 31 March 2016 was derived from the UBS AG first quarter 2017 report published on 3 May 2017 ("UBS AG First Quarter 2017 Report"), which contains UBS AG interim consolidated financial statements (unaudited), as well as additional unaudited consolidated financial information, for the quarter ended 31 March 2017 and comparative figures for the</p>

		<p>quarter ended 31 March 2016.</p> <p>The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and are stated in Swiss francs ("CHF"). Information for the years ended 31 December 2016, 2015 and 2014 which is indicated as being unaudited in the table below was included in the Annual Report 2016, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2016 and the UBS AG First Quarter 2017 Report are incorporated by reference herein. The section "Measurement of performance" of the Annual Report 2016 contains an explanation of the use of the information contained under the heading "Key performance indicators" in the table below and the definitions of each of these key performance indicators. Prospective investors should read the whole of this Base Prospectus and the documents incorporated by reference herein and should not rely solely on the summarised information set out below:</p>
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CHF million, except where indicated	As of or for the quarter ended		As of or for the year ended		
	31.3.17	31.3.16	31.12.16	31.12.15	31.12.14
	unaudited		audited, except where indicated		
Results					
Operating income	7,560	6,855	28,421	30,605	28,026
Operating expenses	5,919	5,876	24,352	25,198	25,557
Operating profit / (loss) before tax.....	1,641	979	4,069	5,407	2,469
Net profit / (loss) attributable to shareholders	1,231	713	3,207	6,235	3,502
Key performance indicators					
Profitability					
Return on tangible equity (%) ¹	10.8	6.0	6.9*	13.5*	8.2*
Cost / income ratio (%) ²	78.3	85.7	85.6*	82.0*	90.9*
Growth					
Net profit growth (%) ³	72.7	(64.8)	(48.6)*	78.0*	10.4*
Net new money growth for combined wealth management businesses (%) ⁴	3.9	5.9	2.1*	2.2*	2.5*
Resources					
Common equity tier 1 capital ratio (fully applied, %) ^{5, 6}	14.9	14.9	14.5*	15.4*	14.2*
Going concern leverage ratio (fully applied, %) ^{7, 8}	4.2	-	4.2*	-	-
Additional information					
Profitability					
Return on equity (RoE) (%) ⁹	9.3	5.1	5.9*	11.7*	7.0*
Return on risk-weighted assets, gross (%) ¹⁰	13.6	13.0	13.2*	14.3*	12.6*
Return on leverage ratio denominator, gross (%) ¹¹	3.4	3.0	3.2*	-	-
Resources					
Total assets	910,924	968,158	935,353	943,256	1,062,327
Equity attributable to shareholders	51,990	55,660	53,662	55,248	52,108
Common equity tier 1 capital (fully applied) ⁶	33,137	32,118	32,447	32,042	30,805
Common equity tier 1 capital (phase-in) ⁶	36,629	38,762	39,474	41,516	44,090
Risk-weighted assets (fully applied) ⁶	222,207	214,973	223,232*	208,186*	217,158*
Common equity tier 1 capital ratio (phase-in, %) ^{5, 6}	16.4	17.8	17.5*	19.5*	19.9*
Going concern capital ratio (fully applied, %) ⁸	16.6	-	16.3*	-	-
Going concern capital ratio (phase-in, %) ⁸	21.2	-	22.6*	-	-
Gone concern loss-absorbing capacity ratio (fully applied, %) ⁸	15.4	-	13.3*	-	-
Leverage ratio denominator (fully applied) ¹²	882,670	907,277	870,942*	898,251*	999,124*
Common equity tier 1 leverage ratio (fully applied, %) ¹²	3.8	3.5	3.7*	3.6*	3.1*
Going concern leverage ratio (phase-in, %) ^{7, 8}	5.4	-	5.8*	-	-
Gone concern leverage ratio (fully applied, %) ⁸	3.9	-	3.4*	-	-
Other					
Invested assets (CHF billion) ¹³	2,934	2,618	2,821	2,689	2,734
Personnel (full-time equivalents)	55,972	58,053	56,208*	58,131*	60,155*
* unaudited					
¹ Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets.					
² Operating expenses / operating income before credit loss (expense) or recovery.					
³ Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period.					
⁴ Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived					

		<p>from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the UBS Group First Quarter 2017 Report, under "UBS business divisions and Corporate Center", and in the Annual Report 2016, under "Financial and operating performance". Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion in Wealth Management from UBS's balance sheet and capital optimization program.</p> <p>⁵ Common equity tier 1 capital / risk-weighted assets.</p> <p>⁶ Based on the Basel III framework as applicable for Swiss systemically relevant banks.</p> <p>⁷ Total going concern capital / leverage ratio denominator.</p> <p>⁸ Based on the revised Swiss SRB framework that became effective on 1 July 2016. Figures for prior periods are not available.</p> <p>⁹ Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders.</p> <p>¹⁰ Based on fully applied risk-weighted assets. Figures as of 31 December 2015 and 31 December 2014 were derived from the UBS Group 2016 Form 20-F and do not correspond to the figures contained in the UBS Group 2015 Form 20-F, which were calculated based on phase-in risk-weighted assets.</p> <p>¹¹ Based on the fully applied leverage ratio denominator. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. For periods prior to 31 December 2015 the leverage ratio denominator is calculated in accordance with former Swiss SRB rules. Therefore the figures for the periods ended on 31 December 2015 and 31 December 2014 are not presented as they are not available on a fully comparable basis.</p> <p>¹² Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.</p> <p>¹³ Includes invested assets for Personal & Corporate Banking.</p> <p>There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2016. There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 March 2017, which is the end of the last financial period for which interim financial information has been published.</p>
B.13	Recent Events:	Not Applicable. No recent events particular to UBS AG have occurred, which are to a material extent relevant to the evaluation of UBS AG's solvency.
B.14	Dependence upon other entities within the Group:	UBS AG is the parent company of, and conducts a significant portion of its operations through, subsidiaries. As such, to a certain extent, it is dependent on certain of its subsidiaries.
B.15	The Issuers' Principal Activities:	UBS AG with its subsidiaries (together, " UBS AG (consolidated) ", or " UBS AG Group "; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, " UBS Group ", " Group ", " UBS " or " UBS Group AG (consolidated) ") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy is centered on its leading wealth management businesses 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.

		<p>According to article 2 of the articles of association of UBS AG dated 4 May 2016 ("Articles of Association"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.</p>
B.16	Controlling Persons:	<p>UBS Group AG owns 100 per cent. of the outstanding shares of UBS AG.</p>
B.17	Ratings assigned to the Issuers or their Debt Securities:	<p>The rating agencies Standard & Poor's Credit Market Services Europe Limited ("Standard & Poor's"), Moody's Investors Service Ltd. ("Moody's"), Fitch Ratings Limited ("Fitch Ratings"), and Scope Ratings AG ("Scope Ratings") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS 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 Fitch Ratings, Standard & Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ (outlook: stable) from Standard & Poor's, long-term senior debt rating of A1 (outlook: stable) from Moody's, long-term issuer default rating of A+ (outlook: stable) from Fitch Ratings and issuer credit-strength rating of A+ (outlook: positive) from Scope Ratings.</p> <p>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 AG should be evaluated independently from similar ratings of other entities, and from the rating, if any, of its securities. 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. All the above-mentioned rating agencies are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011.</p>

Section C - The Notes		
C.1	Type and Class of Securities:	<p>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 will have identical terms and conditions; however, a Tranche may comprise Notes in bearer form and Notes in registered form. Other than the issue date, the issue price and the date for the first payment of interest, the Notes of each Series will have identical terms.</p> <p><i>[The Notes are issued as Series number [•], Tranche number [•].]</i></p>

		<p><i>[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert details of the notes previously issued] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note], as specified in the relevant [Final Terms/Drawdown Prospectus].]</i></p> <p>Class of Notes: The Notes will be issued on a Senior or Subordinated basis (as defined below). Please also see C.8.</p> <p>Security Identification Number(s): In respect of each Tranche of Notes, the relevant security identification number(s) will be specified in the relevant Final Terms or Drawdown Prospectus.</p> <p>[ISIN Code: [•]]</p> <p>Common Code: [•]]</p>
C.2	Currency of the Securities Issue:	<p>Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer subject to compliance with all relevant legal or regulatory requirements.</p> <p>In the case of Notes issued under a Drawdown Prospectus, and subject to compliance with all relevant legal and regulatory requirements, Notes may be denominated in one currency and payments in relation to the Notes may be made in one or more different currencies.</p> <p><i>[The Notes are denominated in [•].]</i></p>
C.5	Restrictions on Free Transferability:	<p>Persons into whose hands this Base Prospectus comes are required by the Issuer 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 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 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 neither the Issuer nor any Dealer shall have responsibility therefore. In accordance with the above, any Notes 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 being obliged to register any further prospectus or corresponding document relating to the Notes in such jurisdiction.</p>
C.8	The Rights Attaching to the Securities, including Ranking and Limitations to those Rights:	<p>Status of the Notes: Notes will be issued on a senior basis (the "Senior Notes") or subordinated basis (the "Subordinated Notes").</p> <p>[Status of the Notes: <i>[The Notes (and their coupons) are unsecured obligations of the Issuer acting through its [UBS AG London Branch/UBS AG Jersey Branch/UBS AG Australia Branch/UBS AG Hong Kong Branch/UBS Head Office/UBS AG [name of Branch]], as the case may be, and rank pari passu without any preference among themselves. Except as may be provided by any law, the payment obligations of the Issuer under the Notes (and their coupons) will at all times rank equally with all other outstanding unsecured and unsubordinated obligations of the Issuer.]/[The Notes (and their coupons) are unsecured obligations of the Issuer acting through its [UBS AG London Branch/UBS AG Jersey Branch/UBS AG Australia Branch/UBS AG Hong Kong Branch/UBS Head Office/UBS AG [name of Branch]], as the case may be, and rank pari passu without any preference among themselves. The Notes constitute subordinated debt obligations and rank pari passu with all other subordinated debt obligations of the Issuer other than subordinated debt obligations which</i></p>

rank below the Notes.]]

Taxation: Payments in respect of Notes will be made free and clear of withholdings or deductions for, or on account of, any present or future taxes, duties, assessments or other government charges by or in (i) in the case of Notes issued through a Branch, the location of the relevant Branch, (ii) Switzerland and (iii) any other jurisdiction in which the Issuer is or becomes subject to tax unless such withholding or deduction is required by law (the "**Relevant Jurisdictions**"). If such taxes are required to be withheld, the Issuer will pay additional amounts in respect of the Notes subject to the customary exceptions.

In the case of Notes issued by UBS Head Office, these exceptions include the Swiss federal withholding tax (which is currently set at a rate of 35 per cent.) to which all payments of interest on such Notes will be subject, and no additional amounts shall be paid by the Issuer in respect of any such withholding. The holder of any such Note residing in Switzerland who, at the time the payment of interest is due, is the beneficial recipient of the payment of interest and who duly reports the gross payment of interest in his or her tax return and, as the case may be, in the statement of income, is entitled to a full refund of or a full tax credit for the Swiss federal withholding tax. A holder of any such Note who is not resident in Switzerland may be able to claim a full or partial refund of the Swiss federal withholding tax by virtue of provisions of an applicable double taxation treaty, if any, between Switzerland and the country of residence of such holder.

Except as specified above, the Issuer does not assume responsibility for any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or other government charges of any nature in any Public Offer Jurisdiction.

Governing Law: The issuing and paying agency agreement and the deed of covenant entered into in relation to the Programme and all non-contractual obligations arising out of or in connection with them are governed by English law. The Notes (other than SIS Notes) and all non-contractual obligations arising out of or in connection with the Notes (other than SIS Notes) are governed by English law, except for, in the case of Subordinated Notes, Condition 5(b) (*Status of the Notes - In the case of Subordinated Notes*), which is governed by Swiss law.

Enforcement of Notes in Global Form: In the case of Bearer Notes (other than Bearer SIS Notes) in global form, held in a clearing system, investors will have certain direct rights of enforcement against the Issuer in the event of such global note becoming void ("**Direct Rights**"). The Direct Rights are contained in a Deed of Covenant executed by the Issuer, copies of which are available for inspection during normal business hours at the office of the Agent.

Substitution of the Issuer and Issuing Branch Substitution: The Issuer may, at its option and having given notice to the Noteholders, designate, without the consent of any Noteholders, an affiliate to assume liability for the due and punctual payment of all payments on all Notes then outstanding in the relevant Series and the performance of all the Issuer's other obligations under all the Notes then outstanding in the relevant Series, the Issue and Paying Agency Agreement and the Deed of Covenant.

Prior to any such substitution of the Issuer, the Issuer may, at its option and having given notice to the Noteholders, (i) cease to make payments of principal, interest and any other amounts due under all Notes then outstanding in the relevant Series and fulfil any of its other obligations and exercise any of its rights and powers in respect of, or arising under,

		all Notes then outstanding in the relevant Series through the Branch or the UBS Head Office, as applicable, through which it is acting at the time of the relevant notice, and (ii) commence making such payments, fulfilling such other obligations and exercising such powers and rights through another Branch or the UBS Head Office (if the Issuer was not acting through the UBS Head Office at the time of the relevant notice).
C.9	The Rights Attaching to the Securities (Continued), Including Information as to Interest, Maturity, Yield and the Representative of the Holders:	<p>See C.8 for a description of the rights attaching to the Notes, ranking and limitations.</p> <p>Interest: Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. In respect of each Tranche of Notes, the date from which interest becomes payable and the due dates for interest, the maturity date, the arrangements for the amortization of the Notes, including the repayment procedures and an indication of yield will be specified in the relevant Final Terms or Drawdown Prospectus.</p> <p><i>[Interest: The Notes bear interest from [•] at a fixed rate of [•] per cent. per annum payable in arrear on [•].]</i></p> <p><i>[The Notes bear interest [from their date of issue] at a floating rate calculated by reference to [BBSW / CDOR / EURIBOR / HIBOR / JPY TSR / LIBOR / NIBOR / SHIBOR / SOR / STIBOR / U.S. Federal Funds Rate] [plus/minus] a margin of [•] per cent.] Interest will be paid [annually]/[semi-annually]/[quarterly]/[monthly] in arrear on [•], [•], [•], and [•] in each year[, subject to adjustment for non-business days].]</i></p> <p><i>[Interest: The Notes do not bear interest.]</i></p> <p>Maturities: The Notes may be issued with any maturity subject to compliance with all relevant legal or regulatory requirements.</p> <p>The minimum maturity for Subordinated Notes is 5 years.</p> <p><i>[Maturity Date: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on [•].]</i></p> <p>Redemption: Notes will be redeemable at par or at such other redemption amount as may be specified in the relevant Drawdown Prospectus.</p> <p><i>[Final Redemption Amount: Unless previously redeemed, or purchased and cancelled, each Note will be redeemed at 100 per cent. of its nominal amount.]</i></p> <p>Optional Redemption: Notes may be redeemed before their stated maturity at the option of the Issuer (either all or some only), and/or the Noteholders (in whole but not in part) to the extent (if at all) specified in the relevant Final Terms or Drawdown Prospectus.</p> <p><i>[Redemption at the Option of the Issuer: The Notes may be redeemed at the option of the Issuer [in whole]/[in whole or in part] on [•] at [•], plus accrued interest (if any) to such date (but excluding such date), on the Issuer's giving: (i) not less than 15 nor more than 45 days' notice to the Noteholders, and (ii) not less than 15 days before the giving of notice referred to in (i), notice to the Agent and the relevant Registrar, (which notices shall be irrevocable).]</i></p> <p><i>[Redemption at the Option of the Noteholders: The Issuer shall, at the option of the holder of any Note redeem such Note on [•] at [•] together with interest (if any) accrued to such date (but excluding such date), on</i></p>

		<p><i>the Noteholders' giving not less than 15 nor more than 30 days' notice to the Issuer.]</i></p> <p>Tax Redemption: Early redemption will be permitted if the Issuer has or will become obliged to pay certain additional amounts in respect of the Notes as a result of any change in the tax laws of a Relevant Jurisdiction, which cannot be avoided by the Issuer taking reasonable measures.</p> <p>[Yield: <i>Based upon the Issue Price of [•], at the Issue Date the anticipated yield of the Notes is [•] per cent. [per annum/[•]].]</i></p> <p>ERISA: Employee benefit plans subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") and any "plan" as defined in and subject to the provisions of Section 4975 of the U.S. Internal Revenue Code (the "Code") (including any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, the assets of any such employee benefit plan or plan for the purposes of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA) or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code (each, a "Benefit Plan Investor"), (i) with respect to Notes whose terms provide for payment in full of principal at their state maturity, may purchase or hold Notes (or any interest therein) and (ii) with respect to Notes whose terms do not provide for payment in full of principal at their stated maturity, may not purchase or hold Notes (or any interest therein).</p> <p>Representative of the Noteholders: See "Enforcement of Notes in Global Form" in C.8.</p>
C.10	Derivative Components in interest payment:	Not Applicable. Payments of interest on the Notes shall not involve any derivative component.
C.11	Trading:	<p>Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to: (i) trading on the regulated market of the Irish Stock Exchange; and (ii) listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.</p> <p><i>[Application has been made for the Notes to be admitted to [trading on the regulated markets of the Irish Stock Exchange]/[listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange]/[and will be distributed in [Ireland / Luxembourg / Austria / Belgium / France / Germany / the Netherlands / Spain / United Kingdom]]</i></p>
C.21	Listing:	<p>Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to: (i) listing on the official list and trading on the regulated market of the Irish Stock Exchange; and (ii) listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.</p>

		<i>[Application has been made for the Notes to be admitted to [trading on the regulated markets of the Irish Stock Exchange]/[listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange]</i>
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Section D - Risks		
D.2	Risks Specific to the Issuer:	<ul style="list-style-type: none"> Continuing low or negative interest rates may have a detrimental effect on UBS's capital strength, liquidity and funding position, and profitability. UBS's global presence subjects it to risk from currency fluctuations Regulatory and legal changes may adversely affect UBS's business and its ability to execute its strategic plans. If UBS is unable to maintain its capital strength, this may adversely affect its ability to execute its strategy, client franchise and competitive position. UBS may not be successful in the ongoing execution of its strategic plans. Material legal and regulatory risks arise in the conduct of UBS's business. Operational risks affect UBS's business. UBS's reputation is critical to the success of its business. Performance in the financial services industry is affected by market conditions and the macroeconomic climate. UK withdrawal from the EU. UBS may not be successful in implementing changes in its wealth management businesses to meet changing market, regulatory and other conditions. UBS may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees. UBS depends on its risk management and control processes to avoid or limit potential losses in its businesses. Liquidity and funding management are critical to UBS's ongoing performance. UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards. The effect of taxes on UBS's financial results is significantly influenced by reassessments of its deferred tax assets. UBS's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly. UBS AG's operating results, financial condition and ability to pay

		<p>its obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG, UBS Americas Holding LLC, UBS Limited and other subsidiaries, which may be subject to restrictions.</p> <ul style="list-style-type: none"> • If UBS experiences financial difficulties, FINMA has the power to open resolution or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors.
D.3	Risks Specific to the Notes:	<ul style="list-style-type: none"> • <i>There is no active trading market for the Notes</i> - The Notes may not be actively traded creating a lack of liquidity and resulting in the Notes trading at a discount to their initial offering price. • <i>Ratings</i> - Credit ratings may be subject to suspension, change or withdrawal. • <i>Interest rate risks</i> - Investment in fixed rate Notes carries the risk of loss of value of the Notes. • <i>Notes issued at a substantial discount or premium</i> - The market value of securities issued at a discount or a premium are subject to greater fluctuations compared to conventional interest-bearing securities. • <i>Notes may be redeemed prior to maturity</i> - An optional redemption feature is likely to limit the market value of the Notes. • <i>FINMA's powers may have a material adverse effect</i> - If the Issuer experiences financial difficulties, FINMA has the authority 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 the Notes and/or the ability of the Issuer to make payments thereunder. FINMA is granted significant discretion in connection with such proceedings and measures, including, in particular, in the case of restructuring proceedings, the discretion to force the conversion of the Issuer's debt (including the Issuer's obligations under the Notes) into equity and/or a full or partial write-down of the obligations owed by the Issuer (including the Issuer's obligations under the Notes), in each case, subject to certain limitations. • <i>Reliance on the procedures of the clearing systems</i> - As the Issuer will make payments in respect of any Note held in a global form or an uncertificated form, through the relevant clearing system, the beneficial holders of such Notes will need to rely on the procedures of the relevant clearing system in respect of payments relating to the Notes, as well as exercising of voting rights. • <i>Subordinated to most of the Issuer's liabilities</i> - The Issuer's obligations in respect of any Tranche of Notes specified to be subordinated, will rank below the obligations to senior creditors of the Issuer (including any unsubordinated, unsecured creditors) in the event of voluntary or involuntary liquidation or bankruptcy of the Issuer. • <i>Potential changes in Swiss withholding tax legislation</i> - 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

		<p>withholding tax system. This 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 other 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.</p> <ul style="list-style-type: none"> • <i>Automatic exchange of information in tax matters</i> – In 2014, Switzerland signed the Multilateral Competent Authority Agreement (the "MCAA"), which 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, which is the legal basis for the implementation of the AEOI standard in Switzerland. The AEOI is being introduced in Switzerland through bilateral agreements and multilateral agreements and, based on such 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 an 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 such data from 2018 or 2019. • <i>Changes to the group structure</i> - UBS has implemented certain changes to its legal structure, and is considering further changes, in response to regulatory requirements. The Terms and Conditions contain no restrictions on change of control events or structural changes, and no event of default, requirement to repurchase the Notes or other event will be triggered under the Terms and Conditions as a result of such changes. There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of the Issuer and/or increase the likelihood of the occurrence of an event of default. Such changes, should they occur, may adversely affect the Issuer's ability to redeem or pay interest on the Notes. • <i>Certain Notes may be subject to U.S. withholding tax under section 871(m)</i> - Payments in respect of Notes that reference one or more dividend paying U.S. equity securities may be treated as "dividend-equivalents" and may be subject to U.S. withholding tax pursuant to section 871(m) of the U.S. Tax Code. • <i>Proposed financial transactions tax</i> - the introduction of a financial transactions tax could make dealings in financial instruments and derivatives more costly and could adversely affect the business of the Issuer. <p>There are also certain risks relating to the Notes generally.</p> <p>In addition to the above, there are risks specific to Renminbi-</p>
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		<p>denominated Notes:</p> <ul style="list-style-type: none"> • <i>Renminbi is not freely convertible</i> - Certain restrictions may affect the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi. • <i>Limited availability of Renminbi outside the People's Republic of China</i> - The limited availability of the Renminbi outside the PRC (due to restrictions) may affect the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi. • <i>Investment is subject to exchange rate and interest rate risks</i> - Changes in economic and political conditions may have an impact on the value of the Renminbi against the US dollar. Furthermore, changes in policies may also heighten the interest rate volatility. These factors could result in a decline of the value of a holder's investment. • <i>Investment is subject to currency risk</i> - Under certain circumstances, the Issuer is entitled to make payments in US dollars in relation to Renminbi denominated Notes. • <i>Restricted methods of payment</i> - All payments will be made in accordance with the modes of payment prescribed in the terms and conditions of the relevant Notes and no other means of payment may be utilised by the Issuer. • <i>Gains on transfer may be subject to income taxes</i> - Under PRC law, non-PRC resident enterprise or individual holders of Renminbi-denominated Notes may become subject to income tax on the gains from the transfer of their holdings of such Notes. • <i>Remittance of proceeds</i> - The Issuer's ability to remit proceeds into or out of the PRC depends on obtaining the necessary government approvals. This may have an impact on the Issuer's ability to finance its obligations in relation to Renminbi-denominated Notes.
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Section E - Offer		
E.2b	Reasons for the Offer and Use of Proceeds:	The net proceeds of the issue of each Series or Tranche of Notes issued by any Branch will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS AG Group, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland. The net proceeds of the issue of each Series or Tranche of Notes issued by UBS Head Office will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS AG Group.
E.3	Terms and Conditions of the Offer:	<p>Notes may be issued at any price and on a fully paid basis, as specified in the relevant Final Terms or Drawdown Prospectus. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.</p> <p><i>[The Terms and Conditions of any Public Offer shall be published by the relevant Authorised Offeror on its website at the relevant time.]</i></p>

		<i>[The Issue Price of the Notes is [•] per cent. of their principal amount.]</i>
E.4	Interests Material to the Issue:	<p><i>[A description of any interest that is material to the issue/offer including conflicting interests.]</i></p> <p>The Issuer has appointed UBS Limited, UBS AG and UBS Securities LLC and any other Dealer appointed from time to time (the "Dealers") as Dealers for the Programme. The arrangements under which Notes may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in the Dealer Agreement made between the Issuer and the Dealers.</p> <p><i>[Syndicated Issue: The Issuer has appointed [•], [•] and [•] (the "Managers") as Managers of the issue of the Notes. The arrangements under which the Notes are sold by the Issuer to, and purchased by, Managers are set out in the Subscription Agreement made between the Issuer and the Managers] [Non-Syndicated Issue: The Issuer has appointed [•] (the "Dealer") as Dealer in respect of the issue of the Notes. The arrangements under which the Notes are sold by the Issuer to, and purchased by, Dealer are set out in the Dealer Agreement made between, amongst others, the Issuer and the Dealer]</i></p>
E.7	Estimated Expenses:	<p>Except as provided in the relevant Final Terms or Drawdown Prospectus, no expenses will be chargeable by the relevant Issuer to a Noteholder in connection with any offer of Notes. Any expenses chargeable by an Authorised Offeror to an Investor shall be charged in accordance with any contractual arrangements agreed between the Investor and such Authorised Offeror at the time of the relevant offer.</p>

RISK FACTORS

The risk factors described in this section relate to issuances of Notes under both the Base Prospectus and the Base Listing Particulars.

Prospective investors should read the entire Base Prospectus/Base Listing Particulars. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus/Base Listing Particulars have the same meanings in this section. Investing in the Notes involves certain risks. In addition, the purchase of certain Notes may involve substantial risks and be suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Prospective investors should make such inquiries as they deem necessary without relying on the Issuer or any Dealer and should consult with their financial, tax, legal, accounting and other advisers, prior to deciding to make an investment in the Notes.

Prospective investors should note that the risks relating to the Issuer, the industry in which it operates and the Notes summarised in the section of this Base Prospectus/Base Listing Particulars headed "Summary" are the risks that the Issuer believes to be the most relevant to an assessment by a prospective investor of whether to consider an investment in the Notes. However, as the risks which the Issuer faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Base Prospectus/Base Listing Particulars headed "Summary" but also among other things, the risks and uncertainties described below. The risks and uncertainties described below are not the only ones that the Issuer may face. Additional risks and uncertainties that the Issuer is unaware of, or that it currently deems to be immaterial, may also become important risk factors that affect it. Prospective investors should consider, among other things, the following:

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.

Continuing low or negative interest rates may have a detrimental effect on UBS's capital strength, liquidity and funding position, and profitability

Low and negative interest rates in Switzerland and the eurozone negatively affected UBS's net interest income in 2016 and 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 Wealth Management businesses. UBS's performance is also affected by the cost of maintaining the high-quality liquid assets 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 pension plan net defined benefit assets and liabilities is sensitive to the discount rate applied. Any further reduction in interest rates would 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's global presence subjects it 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. Moreover, 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.

Swiss counterparties are, in general, highly reliant on the domestic economy and the economies to which they export, in particular the EU and the US. In addition, the EUR / CHF exchange rate is an important risk factor for Swiss corporates. The stronger Swiss franc may have a negative effect on the Swiss economy, particularly on exporters, which could adversely affect some of the counterparties within UBS's domestic lending portfolio and lead to an increase in the level of credit loss expenses in future periods from the low levels recently observed.

Regulatory and legal changes may adversely affect UBS's business and its 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. In the wake of the 2007–2009 financial crisis and the subsequent instability in global financial markets, regulators and legislators are considering, have proposed or have adopted a wide range of changes to these laws and regulations. These measures are generally designed to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions. They include:

- (a) significantly higher regulatory capital requirements, including changes in the definition and calculation of regulatory capital as well as in the calculation of RWA;
- (b) prudential adjustments to the valuation of assets at the discretion of regulators;
- (c) introduction of a more demanding leverage ratio as well as new or significantly enhanced liquidity and stable funding requirements;
- (d) requirements to maintain liquidity and capital in jurisdictions in which activities are conducted and booked, and requirements to adopt risk, corporate and other governance structures at a local jurisdiction or entity level;
- (e) limitations on principal trading and other activities and limitations on risk concentrations and maximum levels of risk;
- (f) new licensing, registration and compliance regimes, and cross-border market access restrictions;
- (g) taxes and government levies that would effectively limit balance sheet growth or reduce the profitability of trading and other activities;
- (h) a variety of measures constraining, taxing or imposing additional requirements relating to compensation;
- (i) requirements to maintain loss-absorbing capital or debt instruments subject to write-down as part of recovery measures or a resolution of the Group or a Group company, including requirements for subsidiaries to maintain such instruments;
- (j) requirements to adopt structural and other changes designed to reduce systemic risk and to make major financial institutions easier to manage, restructure, disassemble or liquidate, including

ring-fencing certain activities and operations within separate legal entities, and adoption of new liquidation regimes intended to prioritise the preservation of systemically significant functions.

There remains significant uncertainty regarding a number of the measures referred to above, including whether, or the form in which, they will be adopted, the timing and content of implementing regulations and interpretations, and the dates of their effectiveness. There is also uncertainty as to whether the laws and regulations that have been adopted will be repealed or modified as a result of geopolitical developments, particularly in the US with its recent change in presidential administration.

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 generally 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.

Planned and potential regulatory and legislative developments in Switzerland and in other jurisdictions in which UBS has operations may have a material adverse effect on its ability to execute its strategic plans, on the profitability or viability of certain business lines globally or in particular locations, and in some cases, on its ability to compete with other financial institutions, and may require UBS to increase prices for or cease to offer certain services and products. The developments have been and will likely continue to be costly to implement. They could also have a negative effect on UBS's legal structure or business model, potentially generating capital, liquidity and other resource inefficiencies, all of which may adversely affect UBS's profitability. Finally, the uncertainty related to, or the implementation of, legislative and regulatory changes may have a negative impact on UBS's relationships with clients and its success in attracting client business.

Capital and TBTF regulation

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, a TLAC requirement has become applicable.

UBS may be subject to further increases in capital requirements in the future, from the imposition of further add-ons in the calculation of RWA or from other changes to other components of minimum capital requirements. The Basel Committee on Banking Supervision ("**BCBS**") and other regulators are considering changes to the Basel III capital framework, including revisions related to the credit risk and operational risk frameworks, as well as the introduction of an output floor. If the proposed changes to the capital framework are adopted in their current form in Switzerland, UBS expects its overall RWA would significantly increase, absent any mitigating measures. UBS also expects that it would incur significant costs to implement the proposed changes.

Liquidity and funding

The requirements to maintain an LCR of high-quality liquid assets to estimated stressed short-term net cash outflows and a net stable funding ratio ("**NSFR**"), or other similar liquidity and funding requirements UBS is subject to, oblige UBS to maintain substantially higher levels of overall liquidity than was previously the case, may 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 a market or firm-specific stress situation. 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 existing, or may in the future be required to comply with, minimum capital, liquidity, funding, 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 undertaken and continues to undertake significant changes in its legal and operational structure to meet legal and regulatory requirements and expectations.

Changes to its legal and operational structure, particularly the transfer of operations to subsidiaries, 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, expose UBS's businesses to local capital, liquidity and funding requirements, and potentially give rise to client and counterparty concerns about the credit quality of individual subsidiaries. Such changes could also negatively affect UBS's funding model, limit its operational flexibility and negatively affect its ability to benefit from synergies between business units.

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 its 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, and similar requirements in other jurisdictions, UBS is required to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure, to the extent that such activities are not sufficiently separated in advance. If UBS adopts measures to reduce resolvability risk beyond what is legally required, it is eligible for a limited rebate on the gone concern requirements. Such actions include changes to the legal structure of a bank group, such as the creation of separate legal entities, in a manner that would insulate parts of the group to exposure from risks arising from other parts of the group, thereby making it easier to dispose of certain parts of the group in a recovery scenario, to liquidate or dispose of certain parts of the group in a resolution scenario or to execute a debt bail-in. Additionally, 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 the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**") with significant powers to intervene in order to prevent a failure of, or to resolve, a failing financial institution. FINMA has considerable discretion in determining whether, when, or in what manner to exercise such powers. In case of a threatened insolvency, FINMA may impose more onerous requirements on UBS, including restrictions on the payment of dividends and interest. FINMA could also require UBS, directly or indirectly, for example, to alter its legal structure, including by separating lines of business into dedicated entities, with limitations on intra-group funding and certain guarantees, or to further reduce business risk levels in some manner. FINMA also has the ability to write down or convert into common equity the capital instruments and other liabilities of UBS Group AG, UBS AG and UBS Switzerland AG in connection with a resolution. Refer to "*If UBS experiences financial difficulties, FINMA has the power to open resolution or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors*" below.

Market regulation

The 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. 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 will require significant changes to collateral agreements with counterparties and UBS's clients' operational processes. In some jurisdictions implementation is ongoing, while rule-making 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, recordkeeping, 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 2016 for more information.

If UBS is unable to maintain its capital strength, this may adversely affect its ability to execute its strategy, client franchise and 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 provides comfort to its 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, 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, or the imposition of an RWA floor based on the standardised approach or other methodology changes 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. Refer to the "Regulatory and legal developments" section of the Annual Report 2016 for more information.

UBS is also subject to significantly higher leverage ratio-based capital and TLAC requirements under the revised Swiss Capital Adequacy Ordinance. The leverage ratio is a simple balance sheet 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 leverage ratio denominator is driven by, among other things, the level of client activity, including deposits and loans, foreign exchange rates, interest rates and other market factors. Many of these factors are wholly or partially outside UBS's control.

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

In October 2012, UBS announced a significant acceleration in the implementation of its strategy. The strategy included transforming UBS's Investment Bank to focus it on its traditional strengths, very significantly reducing RWA and further strengthening UBS's capital position, and significantly reducing costs and improving efficiency. UBS also set targets and expectations for its performance. It has substantially completed the transformation of its business. However, the risk remains that it may not succeed in executing the rest of its plans, or may need to delay them, that market events or other factors may adversely affect their implementation or that their effects may differ from those intended. Macroeconomic conditions, geopolitical uncertainty, the changes to the Swiss TBTF framework and the continuing costs of meeting new regulatory requirements have prompted UBS to adapt its targets and expectations in the past and UBS may need to do so again in the future.

UBS has substantially reduced the RWA and LRD usage of its Corporate Center - Non-core and Legacy Portfolio positions, but there is no assurance that it will continue to be able to exit the remaining positions as quickly as its plans suggest or that it will not incur significant losses in doing so. The continued illiquidity and complexity of many of UBS's legacy risk positions in particular could make it difficult to sell or otherwise exit these positions and reduce the RWA and LRD usage associated with these exposures.

As part of its strategy, UBS also has a programme underway to achieve significant incremental cost reductions, but a number of factors could negatively affect its plans. Higher permanent regulatory costs and business demand than it had originally anticipated have partly offset UBS's gross 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. Moreover, as is often the case with major effectiveness and efficiency programs, cost reduction plans involve significant risks, including that restructuring costs may be higher and may be recognised sooner than projected, that UBS may not be able to identify feasible cost reduction opportunities that are also consistent with its business goals, and that cost reductions may be realised later or may be less than UBS anticipates. Changes in UBS's workforce as a result of outsourcing, nearshoring or offshoring or staff reductions may introduce new operational risks that, if not effectively addressed could affect UBS's ability to recognise the desired cost and other benefits from such changes or could result in operational losses. Such changes can also lead to expenses recognised in the income statement well in advance of the cost savings intended to be achieved through such workforce strategy, for example, if provisions for real estate lease contracts need to be recognised or when, in connection with the closure or disposal of non-profitable operations, foreign currency translation losses previously recorded in other comprehensive income are reclassified to the income statement.

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

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

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

in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorisations or participations, could have material consequences for UBS. Refer to *"Note 20 Provisions and contingent liabilities"* to UBS Group AG's consolidated financial statements in the *"Financial statements"* section of the Annual Report 2016 for more information on litigation, regulatory and similar matters.

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 December 2012, UBS announced settlements totalling approximately CHF 1.4 billion in fines by and disgorgements to US, UK and Swiss authorities. UBS entered into a non-prosecution agreement ("**NPA**") with the US Department of Justice ("**DOJ**"), and UBS Securities Japan Co. Ltd. pleaded guilty to one count of wire fraud relating to the manipulation of certain benchmark interest rates. In May 2015, the DOJ exercised its discretion to terminate the NPA based on its determination that certain UBS employees had committed a US crime related to foreign exchange matters. As a consequence, UBS AG has pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, and paid a USD 203 million fine and is subject to a three-year term of probation. The 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. UBS understands that, in determining the consequences for UBS, the authorities considered the fact that it had in the recent past been determined that UBS had engaged in serious misconduct in several other matters.

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 proven to be more difficult to overcome. UBS is in active dialogue with its regulators concerning the actions that it is taking to improve its operational risk management and control framework, but there can be no assurance that its efforts will have the desired effects. As a result of this history, UBS's level of risk with respect to regulatory enforcement may be greater than that of some of its peers.

Operational risks affect UBS's business

UBS's businesses depend on its ability to process a large number of transactions, many of which are complex, across multiple and diverse markets in different currencies, to comply with requirements of many different legal and regulatory regimes to which UBS is subject and to prevent, or promptly detect and stop, unauthorised, fictitious or fraudulent transactions. UBS also relies on access to, and on the functioning of, systems maintained by third parties, including clearing systems, exchanges, information processors and central counterparties. Failure of its or third-party systems could have an adverse effect on UBS. UBS's operational risk management and control systems and processes are designed to help ensure that the risks associated with its activities, including those arising from process error, failed execution, misconduct, unauthorised trading, fraud, system failures, financial crime, cyberattacks, breaches of information security 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. It is possible that UBS may not be able to anticipate, detect or recognise threats to its systems or data or that its preventative measures will not be effective to prevent an attack or a security breach. A successful breach or circumvention of security of UBS's systems or data could have significant negative consequences for UBS, including disruption of its operations, misappropriation of confidential information concerning UBS or its customers, damage to its systems, financial losses for UBS or its customers, violations of data privacy and similar laws, litigation exposure and damage to UBS's reputation.

A major focus of US and other countries' governmental policies relating to financial institutions in recent years has been fighting money laundering and terrorist financing. UBS is required to maintain effective

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

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

Certain types of operational control weaknesses and failures could also adversely affect UBS's ability to prepare and publish accurate and timely financial reports. Following the unauthorised trading incident announced in September 2011, management determined that UBS had a material weakness in its internal control over financial reporting as of the end of 2010 and 2011, although this did not affect the reliability of its financial statements for either year.

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 very large losses during the financial crisis, the investigations into its cross-border private banking services to US private clients and the settlements entered into with US authorities with respect to this matter, and other events seriously damaged UBS's reputation. Reputational damage 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 2008 and 2009. These developments had short-term and also more lasting adverse effects on UBS's financial performance, and UBS recognised that restoring its reputation would be essential to maintaining its relationships with clients, investors, regulators and the general public, as well as with its employees. The unauthorised trading incident announced in September 2011 and UBS's involvement in the LIBOR matter and investigations relating to its foreign exchange and precious metals business have also adversely affected UBS's reputation. 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. UBS is closely monitoring developments in Europe following the UK referendum on EU membership, with potential adverse consequences for the UK economy and for the recovery of a weak EU economy. 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. UBS's strategic plans depend more heavily 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*" section of the Annual Report 2016 for more information on the 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 limit trading opportunities and impede UBS's ability to manage risks, impacting both trading income 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 continuing 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.

UK withdrawal from the EU

On 29 March 2017, the UK prime minister formally notified the European Council of the UK's intention to withdraw from the EU under Article 50 of the Treaty on European Union. This has triggered a two-year period during which the UK will negotiate its withdrawal agreement with the EU. It is currently expected that the UK will formally leave the EU in March 2019. The nature of the UK's future relationship with the EU remains unclear. Any future limitations on providing financial services into the EU from UBS's UK operations could require UBS to make potentially significant changes to its operations in the UK and its legal structure. UBS is evaluating the potential effects of a UK exit from the EU and potential mitigating actions, although the effects and actions may vary considerably depending on the timing of withdrawal 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 also 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 will require 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 if and when they become effective.

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 and it may not be successful in implementing the business changes needed to address them.

UBS experienced substantial net outflows of client assets in its wealth management and asset management businesses in 2008 and 2009. The net outflows resulted from a number of different factors, including UBS's substantial losses, damage to its reputation, the loss of client advisors, difficulty in recruiting qualified client advisors and tax, legal and regulatory developments concerning UBS's cross-border private banking business. Many of these factors have been successfully addressed. However, long-term changes affecting the cross-border private banking business model will continue to affect client flows in the wealth management businesses for an extended period of time.

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 programs or similar actions may affect UBS's clients' ability or willingness to do business with UBS and result in additional cross-border outflows.

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

Initiatives that UBS may implement to overcome the effects of changes in the business environment on its profitability, balance sheet and capital positions give no assurance that UBS will be able to counteract those effects and may cause net new money outflows and reductions in client deposits, as happened with UBS's balance sheet and capital optimisation programme in 2015. In addition, UBS has made changes to its business offerings and pricing practices in line with the Swiss Supreme Court case concerning retrocessions and other industry developments. These changes may adversely affect UBS's margins on these products, and UBS's current offering may be less attractive to clients than the products it replaces. 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 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 claw-back 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.

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 is 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's 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. Currently, there are a number of issued but not yet effective IFRS changes, as well as potential IFRS changes, some of which could be expected to affect UBS's reported results, financial position and regulatory capital in the future. For example, IFRS 9, when fully adopted, will require UBS to record loans at inception net of expected 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. Refer to the "Critical accounting estimates and judgments" section and "Note 1 Summary of significant accounting policies" to the UBS Group AG's consolidated financial statements in the "Financial statements" section of the Annual Report 2016 for more information.

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

UBS's effective tax rate is highly sensitive both to its performance and its expectation of future profitability. 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 or the UK, UBS may be required to write down all or a portion of the currently recognised DTAs through its 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 the effective tax rate in future years. UBS generally revalues its deferred tax assets in the second half of the financial year based on a reassessment of future profitability taking into account updated business plan forecasts. 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.

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.

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, for every percentage point reduction in the US federal corporate income tax rate, UBS would expect a CHF 0.2 billion decrease in the Group's deferred tax assets. 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's capital return policy envisages total capital returns to shareholders of at least 50 per cent. of net profit attributable to shareholders, provided that UBS maintains a fully applied CET1 capital ratio of at least 13 per cent. and consistent with UBS's objective of maintaining a post-stress fully applied CET1 capital ratio of at least 10 per cent..

UBS's ability to maintain a fully applied CET1 capital ratio of at least 13 per cent. is subject to numerous risks, including the financial results of its businesses, the effect of changes to capital standards such as those recently introduced in Switzerland, methodologies and interpretation that may adversely affect the calculation of its 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. Refer to the discussion of these risks earlier in this section and in particular to "*Continuing low or negative interest rates may have a detrimental effect on UBS's capital strength, liquidity and funding position, and profitability*" above for more information on the effect on capital of changes to pension plan defined benefit obligations.

To calculate UBS's post-stress CET1 capital ratio, UBS forecasts capital one year ahead based on internal projections of earnings, expenses, distributions to shareholders and other factors affecting CET1 capital, including its net defined benefit plan assets and liabilities. UBS also forecasts one-year developments in RWA. It adjusts these forecasts based on assumptions as to how they may change as a result of a severe stress event. It then further deducts from capital the stress loss estimated using its combined stress test ("CST") framework.

UBS's CST framework relies on various risk exposure measurement methodologies, which are predominantly proprietary, on UBS's selection and definition of potential stress scenarios and on its

assumptions regarding estimates of changes in a wide range of macroeconomic variables and certain idiosyncratic events for each of those scenarios. UBS periodically reviews these methodologies. Assumptions are also subject to periodic review and change on a regular basis. UBS's risk exposure measurement methodologies may change in response to developing market practice and enhancements to its own risk control environment, and input parameters for models may change due to changes in positions, market parameters and other factors.

UBS's stress scenarios, the events comprising a scenario and the assumed shocks and market and economic consequences applied in each scenario are subject to periodic review and change. UBS's business plans and forecasts are subject to inherent uncertainty, its choice of stress test scenarios and the market and macroeconomic assumptions used in each scenario are based on judgments and assumptions about possible future events. UBS's risk exposure measurement methodologies are subject to inherent limitations, rely on numerous assumptions as well as on data which may have inherent limitations. In particular, certain data is not available on a monthly basis and UBS may therefore rely on prior-month or prior-quarter data as an estimate. Changes to UBS's results, business plans and forecasts, in the assumptions used to reflect the effect of a stress event on its business forecasts or in the results of its CST, could have a material effect on its stress scenario results and on the calculation of its post-stress fully applied CET1 capital ratio. In assessing whether UBS's post-stress fully applied CET1 capital ratio objective has been met at any time, UBS may consider both the current ratio and its expectation as to its future developments.

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

UBS AG's ability to pay its obligations in the future may be affected by the level of funding, dividends and other distributions, if any, received from UBS Switzerland AG and other subsidiaries. The ability of such subsidiaries to make loans or distributions, directly or indirectly, to UBS AG may be restricted as a result of several factors, including restrictions in financing agreements and the requirements of applicable law and regulatory, fiscal or other restrictions. In particular, UBS AG's direct and indirect subsidiaries, including UBS Switzerland AG, UBS Limited and UBS Americas Holding LLC, are subject to laws and regulations that restrict dividend payments, authorise regulatory bodies to block or reduce the flow of funds from those subsidiaries to UBS AG, could impact their ability to repay any loans made to, or other investments in, such subsidiary by UBS AG or another member of the Group, or limit or prohibit transactions with affiliates, and could be subject to additional restrictions in the future. Restrictions and regulatory actions of this kind could impede access to funds that UBS AG may need to make payments. In addition, UBS AG's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganisation is subject to all prior claims of the subsidiary's creditors.

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

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

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 a resolution proceeding. Furthermore, certain categories of debt obligations, such as certain types of deposits, are subject to preferential treatment. As a result, holders of obligations of an entity subject to a Swiss restructuring proceeding may have their obligations written down or converted into equity even though obligations ranking on par with or junior to such obligations are not written down or converted.

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

RISKS RELATING TO THE NOTES

General

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

- (i) 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/Base Listing Particulars or any applicable supplement;
- (ii) 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 such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the

currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;

- (iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

There is no active trading market for the Notes

Notes issued under the Programme 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). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to the Luxembourg Stock Exchange's regulated market, the Euro MTF Market of the Luxembourg Stock Exchange, the Irish Stock Exchange's Main Securities Market and the Irish Stock Exchange's Global Exchange Market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

In addition, holders of Notes should be aware that, in view of the prevailing and widely reported global credit market conditions (which continue at the date hereof), the secondary market for Notes and instruments of this kind may be illiquid. The Issuer cannot predict when these circumstances will change.

Rating

Details of the solicited credit ratings assigned by Standard & Poor's, Moody's, Fitch Ratings and Scope Ratings to UBS AG can be found in Element B.17 (*Ratings assigned to the Issuers or their Debt Securities*) of the "Summary" section of this Base Prospectus and in the section of this Base Prospectus headed "*Description of UBS AG*".

Where a rating has been solicited for a particular Tranche of Notes, the applicable rating(s) will be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. Where a Tranche of Notes is rated by Standard & Poor's, Moody's, Fitch Ratings and/or Scope Ratings, such rating(s) will not necessarily be the same as the rating(s) assigned to UBS AG described in this Base Prospectus or the rating(s) assigned by such credit rating agencies to Notes already issued.

Whether or not each credit rating applied for in relation to a relevant Tranche of Notes is (1) issued by a credit rating agency established in the EU and registered under the CRA Regulation, (2) issued by a credit rating agency which is not established in the EU but will be endorsed by a credit rating agency which is established in the EU and registered under the CRA Regulation or (3) issued by a credit rating agency which is not established in the EU but which is certified under the CRA Regulation will be disclosed in the Final Terms, Drawdown Prospectus or Pricing Supplement. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EU and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EU but is endorsed by a credit rating agency established in the EU and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EU which is certified under the CRA Regulation. In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise

permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive this Base Prospectus/Base Listing Particulars and anyone who receives this Base Prospectus/Base Listing Particulars must not distribute it to any person who is not entitled to receive it.

Unsolicited ratings, which may differ from the ratings expected to be assigned by Standard & Poor's, Moody's, Fitch Ratings and Scope Ratings, may also be assigned to the Notes by other credit rating agencies. Issuance of an unsolicited credit rating which is lower than the ratings assigned by Standard & Poor's, Moody's, Fitch Ratings and Scope Ratings may adversely affect the market value and/or liquidity of Notes issued under the Programme.

Any rating assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed in these risk factors, and other factors that may affect the value of such Notes. A credit rating and/or a corporate rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal by the rating agency at any time. Any adverse change in an applicable credit rating could adversely affect the trading price of, and market for, Notes issued under the Programme.

Interest rate risks

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

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms, Drawdown Prospectus or Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed by or on behalf of the jurisdiction of establishment of the relevant Branch through which the Issuer is acting (if applicable), Switzerland, or any other jurisdiction in which the Issuer is or becomes subject to tax, or any political subdivision thereof or any authority therein or thereof having power to tax as a result of any change in laws or regulations of the relevant jurisdiction, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms, Drawdown Prospectus or Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. 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.

If the Issuer experiences financial difficulties, the Swiss Financial Market Supervisory Authority FINMA has the power to open resolution 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

FINMA has broad statutory powers to take measures and actions in relation to the Issuer if (i) it concludes that there is justified concern that the Issuer is over-indebted or has serious liquidity problems or (ii) the Issuer fails to fulfil the applicable capital adequacy requirements (whether on a standalone or consolidated basis) after expiry of a deadline set by FINMA. If one of these pre-requisites is met, FINMA is authorised to open restructuring proceedings or liquidation (bankruptcy) proceedings in respect of, and/or impose protective measures in relation to, the Issuer. The Swiss Banking Act grants significant discretion to FINMA in connection with the aforementioned proceedings and measures. In particular, a broad variety of protective measures may be imposed by FINMA, including a bank moratorium or a maturity postponement, which measures may be ordered by FINMA either on a stand-alone basis or in

connection with restructuring or liquidation proceedings. The resolution regime of the Swiss Banking Act is further detailed in the FINMA Banking Insolvency Ordinance ("**BIO-FINMA**"). In a restructuring proceeding, FINMA, as resolution authority, is competent to approve the resolution plan. The resolution plan may, among other things, provide for (a) the transfer of all or a portion of the Issuer's assets, debts, other liabilities and contracts (which may or may not include the contractual relationship between the Issuer and the Holders) to another entity, (b) a stay (for a maximum of two business days) on the termination of contracts to which the Issuer is a party, and/or the exercise of (w) rights to terminate, (x) netting rights, (y) rights to enforce or dispose of collateral or (z) rights to transfer claims, liabilities or collateral under contracts to which the Issuer is a party, (c) the conversion of the Issuer's debt and/or other obligations, including its obligations under the Notes, into equity (a "debt-to-equity" swap), and/or (d) the partial or full write-down of obligations owed by the Issuer (a "write-down"), including its obligations under the Notes. The BIO-FINMA provides that a debt-to-equity swap and/or a write-down of debt and other obligations (including the Notes) may only take place after (i) all debt instruments issued by the Issuer qualifying as additional tier 1 capital or tier 2 capital have been converted into equity or written-down, as applicable, and (ii) the existing equity of the Issuer has been fully cancelled. While the BIO-FINMA does not expressly address the order in which a write-down 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 FINMA as the resolution authority, any restructuring plan in respect of the Issuer could provide that the claims under or in connection with the Notes will be partially or fully converted into equity or written-off, while preserving other obligations of the Issuer that rank *pari passu* with, or even junior to, the Issuer's obligations under the Notes. Consequently, Noteholders may lose all of some of their investment in the Notes. In case of a restructuring of a systemically important bank (such as the Issuer), the creditors whose claims are affected by the resolution plan will not have a right to vote on, opt out of, or dismiss the resolution plan. In addition, if a resolution plan has been approved by FINMA, the rights of a creditor to seek judicial review of the resolution plan (e.g., on the grounds that the plan would unduly prejudice the Noteholder's rights or otherwise be in violation of the Swiss Banking Act) are very limited. In particular, a court may not suspend the approval of the resolution plan. In addition, if an objection of a creditor to the resolution plan is approved, the court can only award monetary compensation and cannot invalidate or override the resolution plan and there is currently no guidance as to on what basis such compensation would be calculated and how it would be funded.

Because the Global Notes are held by or on behalf of Euroclear, Clearstream Luxembourg, Clearstream Frankfurt, SIS and/or DTC and the Uncertificated SIS Notes are registered with SIS, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Notes, issued in uncertificated form:

- In the case of Global Notes, if the relevant Final Terms, Drawdown Prospectus or Pricing Supplement specifies that the New Global Note form is not applicable or the Global Registered Notes are not to be held under the New Safekeeping Structure, such Global Notes will be deposited with a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme ("**Clearstream Luxembourg**"), Clearstream Banking AG ("**Clearstream Frankfurt**") or with or on behalf of DTC or, in the case of Bearer SIS Notes, with SIS. If the New Global Note form is applicable or the relevant Global Registered Note is to be held under the New Safekeeping Structure, then the Global Notes will be deposited with a common safekeeper for Euroclear and/or Clearstream Luxembourg.
- If the relevant Final Terms, Drawdown Prospectus or Pricing Supplement specifies that the Notes are Uncertificated SIS Notes, such Notes will be registered in the main register (*Hauptregister*) of SIS.

Except in the circumstances described in the relevant Conditions, investors will not be entitled to receive definitive Notes. Euroclear, Clearstream Luxembourg, Clearstream Frankfurt, SIS and/or DTC will maintain records of the beneficial interests in the Global Notes and Notes issued in uncertificated form. While the Notes are represented by one or more Global Notes or in uncertificated form, investors will be able to trade their beneficial interests only through Euroclear, Clearstream Luxembourg, Clearstream Frankfurt, SIS and/or DTC.

While the Notes are represented by one or more Global Notes or in uncertificated form, the Issuer will discharge its payment obligations under the Notes by making payments (through, in the case of SIS Notes, the Principal Swiss Paying Agent) to the common depositary, common safekeeper or the relevant clearing system, as applicable, for Euroclear, Clearstream Luxembourg, Clearstream Frankfurt and SIS or to DTC or a nominee thereof for distribution to their account holders. A holder of a beneficial interest in a Global Note or Notes in uncertificated form must rely on the procedures of Euroclear, Clearstream Luxembourg, Clearstream Frankfurt, SIS and/or DTC to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Notes in uncertificated form.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream Luxembourg, Clearstream Frankfurt and/or DTC to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes (except SIS Notes) will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant (in the case of Bearer Notes, in global form only), or mandatory rules in accordance with international private law.

Subordinated Notes are subordinated to most of the Issuer's liabilities

If in the case of any particular Tranche of Notes the relevant Final Terms, Drawdown Prospectus or Pricing Supplement specifies that the Notes are subordinated obligations of the Issuer and the Issuer is declared insolvent and a winding up is initiated, it will be required to pay the holders of senior debt and meet its obligations to all its other creditors (including unsecured creditors but excluding any obligations in respect of subordinated debt) in full before it can make any payments on the relevant Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under the relevant 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 an 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 such data from 2018 or 2019.

Potential changes in Swiss withholding tax legislation

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. This 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. Under 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

other 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.

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

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

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

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

In the second half of 2015, UBS transferred the ownership of the majority of its existing service subsidiaries outside the US to UBS Business Solutions AG. As of 1 January 2017, UBS completed the transfer of the shared service employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG. In the second quarter of 2017, UBS has begun the transfer of shared services functions in Switzerland and the UK from UBS AG to UBS Business Solutions AG. Following the transfer, UBS Business Solutions AG will charge other legal entities within the Group for services provided, including a markup on costs incurred. The transfer is not expected to materially affect the UBS Group AG consolidated financial statements. However, it is expected to decrease UBS AG consolidated and standalone operating profit before tax. The transfer is not expected to have a significant effect on RWA and the LRD of UBS Group AG consolidated, UBS AG consolidated and UBS AG standalone.

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

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

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

The Terms and Conditions contain no restrictions on change of control events or structural changes, such as consolidations or mergers or demergers of the Issuer or the sale, assignment, spin-off, contribution, distribution, transfer or other disposal of all or any portion of the Issuer's or its subsidiaries' properties or assets in connection with the announced changes to its legal structure or otherwise and no event of default, requirement to repurchase the Notes or other event will be triggered under the Terms and Conditions as a result of such changes. There can be no assurance that such changes, should they occur, would not adversely affect the credit rating of the Issuer and/or increase the likelihood of the occurrence of an event of default. Such changes, should they occur, may adversely affect the Issuer's ability to

redeem or pay interest on the Notes and/or lead to circumstances in which the Issuer may elect to cancel such interest (if applicable).

Section 871(m)

A 30 per cent. withholding tax is imposed on certain "dividend equivalents" paid or deemed paid to a Non-U.S. Holder with respect to a "specified equity-linked instrument" that references one or more dividend-paying U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. Treasury regulations provide that the withholding tax applies to all dividend equivalents paid or deemed paid on specified equity-linked instruments that have a delta of one ("delta one specified equity-linked instruments") issued after 2016 and to all dividend equivalents paid or deemed paid on all other specified equity-linked instruments issued after 2017.

We will determine whether dividend equivalents on the Notes are subject to withholding as of the close of the relevant market(s) on the pricing date and the relevant Final Terms will indicate whether the Notes are specified equity-linked instruments that are subject to withholding on dividend equivalents. If withholding is required, we (or the applicable paying agent) will withhold 30 per cent. in respect of dividend equivalents paid or deemed paid on the Notes and will not pay any additional amounts with respect to any such taxes withheld. We will withhold this amount regardless of whether an investor is a United States Person for U.S. federal income tax purposes or a non-United States Person that may otherwise be entitled to an exemption of reduction of tax on U.S. source dividend payments pursuant to an income tax treaty.

Even if we determine that your Notes are not specified equity-linked instruments that are subject to withholding on dividend equivalents, it is possible that your Notes could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the underlying shares or your Notes, and following such occurrence your Notes could be treated as specified equity-linked instruments that are subject to withholding on dividend equivalent payments. It is also possible that withholding tax or other Section 871(m) tax could apply to the Notes under these rules if a Non-U.S. Holder enters, or has entered, into certain other transactions in respect of the underlying shares. As describe above, if withholding is required, we will withhold 30 per cent. in respect of dividend equivalents paid or deemed paid on the Notes and will not pay any additional amounts with respect to any such taxes withheld.

Additionally, in the event that withholding is required, we hereby notify each holder that for purposes of Section 871(m), that we will withhold in respect of dividend equivalents paid or deemed paid on the Notes on the dividend payment date as described in Treasury regulations section 1.1441-2(e)(4) and section 3.03(B) of the form of Qualified Intermediary Agreement contained in Revenue Procedure 2017-15, as applicable, regardless of whether such investor would otherwise be entitled to an exemption from or reduction of withholding on such payments (e.g., a United States Person for U.S. federal income tax purposes or a non-United States person eligible for an exemption from or reduction in withholding pursuant to an income tax treaty). **No assurance can be given that an investor will be able to successfully claim a refund of the tax withheld in excess of the tax rate that would otherwise apply to such payments.**

Holders should consult with their tax advisors regarding the application of Section 871(m) and the regulations thereunder in respect of their acquisition and ownership of the Notes, including a Non-U.S. Holder that enters, or has entered, into other transactions in respect of the underlying shares.

RISKS RELATING TO NOTES DENOMINATED IN RENMINBI

A description of risks which may be relevant to an investor in Notes denominated in Renminbi ("**Renminbi Notes**") is set out below.

Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes

Renminbi is not freely convertible at present. The government of the PRC (the "**PRC Government**") continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

On the other hand, remittance of Renminbi by foreign investors into and out of the PRC for the purposes of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are developing gradually.

Although starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there is no assurance that the PRC Government will continue to liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite the Renminbi internationalisation pilot programme and efforts in recent years, there is no assurance that the PRC Government will not impose any interim or long-term restriction on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi outside the PRC to service Renminbi Notes

As a result of the restrictions imposed by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the People's Bank of China ("PBoC") has entered into agreements on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong (the "**Settlement Arrangements**"), has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement, and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has also gradually allowed participating banks to access China's onshore inter-bank market for these banks' purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi outside the PRC to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If Renminbi is not available, in certain circumstances as described in the terms and conditions applicable to Renminbi Notes, the Issuer can make payments in US dollars (see Condition 8(e)).

Investment in the Renminbi Notes is subject to exchange rate risks

The value of Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as many other factors. In August 2015, the PBoC implemented changes to the way it calculates the Renminbi's midpoint against the US dollar to take into account market-maker quotes before announcing the midpoint. This change, among others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. All payments of interest and principal will be made in Renminbi with respect to Renminbi Notes unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against

another foreign currency, the value of the investment made by a holder of the Renminbi Notes in that foreign currency will decline.

Investment in the Renminbi Notes is subject to currency risk

If the Issuer is not able, or it is impracticable for it, to satisfy its obligation to pay interest and principal on the Renminbi Notes as a result of Inconvertibility, Non-transferability or Illiquidity (each, as defined in the Conditions), the Calculation Agent may determine that the Issuer, on giving notice as soon as practicable to the relevant investors, settle any such payment in US dollars on the due date of any such interest or principal, as the case may be (see Condition 8(e)).

Investment in the Renminbi Notes is subject to interest rate risks

The PRC Government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

As Renminbi Notes may carry a fixed interest rate, the trading price of the Renminbi Notes will consequently vary with the fluctuations in the Renminbi interest rates. If holders of such Renminbi Notes propose to sell their Renminbi Notes before their maturity, they may receive an offer lower than the amount they have invested.

Payments with respect to the Renminbi Notes may be made only in the manner designated in the terms and conditions of the relevant Renminbi Notes

All payments to investors in respect of the Renminbi Notes will be made solely (i) for so long as the Renminbi Notes are represented by global certificates held with the common depositary or common safekeeper, as the case may be, for Euroclear, Clearstream Luxembourg and Clearstream Frankfurt or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as the Renminbi Notes are represented by Notes in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. While the PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise from the transfer of the Renminbi Notes, its implementation rules have reduced the enterprise income tax rate to 10 per cent. In accordance with the PRC Individual Income Tax Law and its implementation rules (as amended from time to time), any gain realised by a non-PRC resident individual holder from the transfer of the Notes may be regarded as being sourced from the PRC and thus be subject to IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident individual holder from the transfer of Renminbi Notes.

However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and subject to EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Noteholders who are residents of Hong Kong, including enterprise holders and individual holders, will not be subject to EIT or IIT on any capital gains derived from a sale or exchange of the Renminbi Notes.

Therefore, if non-PRC resident enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT (however, qualified holders may not enjoy the treaty benefit automatically but through a successful application with the PRC tax authorities), the

value of their investment in Renminbi Notes may be materially and adversely affected. Investors should consult their own tax advisors regarding the tax risks that may entail as a result of investing in Renminbi Notes.

Remittance of proceeds in Renminbi into or out of the PRC

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there is no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the PRC Government will not impose any interim or long-term restrictions on capital inflow or outflow which may restrict cross-border Renminbi remittances, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer subsequently is not able to repatriate funds out of the PRC in Renminbi, it will need to source Renminbi outside the PRC to finance its obligations under the Renminbi Notes, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

ADDITIONAL RISKS RELEVANT TO ISSUE OF NOTES UNDER THE BASE LISTING PARTICULARS

Index Linked Notes and Dual Currency Notes

If, in the case of any particular Tranche of Notes, the relevant Pricing Supplement specifies that the interest or redemption amount of the Notes is linked to an index, formula or other variable (each a "**Relevant Factor**") or may be paid in one or more currencies which may be different from the currency in which the Notes are denominated, potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Loss of Investment

If, in the case of any particular Tranche of Notes, the relevant Pricing Supplement specifies that the Notes are Index Linked, there is a risk that any investor may lose the value of their entire investment or part of it.

Payments contingent upon or determined by reference to U.S. source assets or payments may be subject to U.S. withholding

If payments on Notes are linked to one or more securities, or a basket containing one or more securities, issued by a U.S. issuer or to payments on such securities, it is possible that payments of principal, interest or disposition proceeds on the Note may be characterised, in whole or in part, as U.S. source income and

may be subject to U.S. income or withholding tax. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any such withholding or deduction.

KEY FEATURES OF THE PROGRAMME IN RELATION TO NOTES ISSUED UNDER A PRICING SUPPLEMENT

The following information is only an overview of the key features of the Programme and is solely in respect of any Notes which will be issued under the Programme pursuant to a Pricing Supplement. To determine the terms and conditions which apply to any issue 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 issue.

Issuer	UBS AG (the " Issuer "), acting through its head offices in Basel and Zurich (" UBS Head Office ") or its London branch, Jersey branch, Australian branch, Hong Kong branch or any of its other branches outside Switzerland as it shall determine from time to time (the London branch, Jersey branch, Australian branch, Hong Kong branch or such other branch, a " Branch ").
Programme Arranger and Authorised Adviser	UBS Limited
Dealers	UBS Limited UBS Securities LLC UBS AG Other dealers 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.
Agent	The Bank of New York Mellon, acting through its London Branch
Luxembourg Paying Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Luxembourg Listing Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch
Irish Listing Agent	Arthur Cox Listing Services Limited
Irish Paying Agent	The Bank of New York Mellon SA/NV Dublin Branch
Swiss Listing Agent	UBS Head Office
Principal Swiss Paying Agent	UBS Head Office
Registrars	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Registered Notes held through Euroclear, Clearstream Luxembourg or Clearstream Frankfurt) and U.S. Bank Trust National Association (in respect of Registered Notes held through DTC).
Programme Amount	The aggregate principal amount outstanding under the Programme at any time is unlimited.
Form of Notes	<p>The Notes may be issued in bearer form ("Bearer Notes"), registered form ("Registered Notes") or, where issued by UBS Head Office, in uncertificated form. Unless otherwise specified in the relevant Pricing Supplement, Bearer Notes may be exchanged for Registered Notes; however, Registered Notes may not be exchanged for Bearer Notes. Bearer Notes and Registered Notes may be issued in global form or definitive form. The term "Notes" refers to Bearer Notes, Registered Notes, Notes in definitive or global form and Uncertificated SIS Notes (as defined below).</p> <p>Notes that are, or are intended to be, deposited or registered with SIS SIX Ltd ("SIS") or any other clearing institution recognised by the SIX Swiss Exchange Ltd (the "SIX Swiss Exchange") (such Notes, "SIS).</p>

Notes") will be (i) in the case of SIS Notes issued by a Branch, Bearer Notes ("**Bearer SIS Notes**"), or (ii) in the case of SIS Notes issued by UBS Head Office, issued in uncertificated form ("**Uncertificated SIS Notes**").

Bearer Notes

Unless otherwise specified in the Pricing Supplement and except in the case of Bearer SIS Notes, each Tranche of Bearer Notes may initially be represented by any one or more of (i) one or more temporary global Notes or, (ii) one or more permanent global Notes which will be issued in new global note ("**New Global Note**" or "**NGN**") form. If the Pricing Supplement specifies that the New Global Note form is not applicable, then the Bearer Note will be a classic global note ("**Classic Global Note**" or "**CGN**"). In the case of Bearer Notes initially represented by a temporary or permanent global Note (each a "**Global Note**"), if the Pricing Supplement specifies that the New Global Note form is not applicable, the global Note will be deposited with a depositary for one, or a common depositary for more than one, clearing system, including Euroclear, Clearstream Luxembourg, Clearstream Frankfurt and SIS. Otherwise, if the Pricing Supplement specifies that the New Global Note form is applicable, each global Note will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system. Temporary global Notes will be exchanged for either (i) a permanent global Note which will be held by a depositary for one, or a common depositary or common safekeeper for more than one, clearing system, or (ii) definitive Notes, in accordance with the provisions set out in the relevant temporary global Note. A permanent global Note may be exchanged for definitive Notes only in accordance with the provisions set out in the relevant permanent global Note. Bearer Notes are subject to US tax law requirements. See "*Selling Restrictions*" below.

Notes that are initially deposited with a common depositary or a common safekeeper may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear, Clearstream Luxembourg or any accounts held with other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream Luxembourg or other clearing systems.

Each Tranche of Bearer SIS Notes will be represented exclusively by a permanent global Note which shall be deposited with SIS or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange. The permanent global Note will only be exchangeable, in whole but not in part, for definitive Notes if the Principal Swiss Paying Agent determines, after consultation with the Issuer, that the printing of definitive Notes is necessary or useful, or the presentation of definitive Notes is required by applicable laws and regulations in connection with the enforcement of the rights of noteholders. Neither the Issuer nor any holder of Bearer SIS Notes will at any time have the right to effect or demand the conversion of the permanent global Note documenting such Bearer SIS Notes into, or the delivery of, Notes in definitive or uncertificated form.

Registered Notes

Registered Notes which are sold in reliance on Regulation S, will initially be represented by an unrestricted global note ("**Unrestricted Global Note**") which will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depositary (or its nominee) for Euroclear, Clearstream Luxembourg and

Clearstream Frankfurt and/or any other relevant clearing system and the relevant Unrestricted Global Note will be deposited on or about the issue date with the common depository; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system.

Registered Notes sold in reliance upon Rule 144A will initially be represented by a single, permanent global restricted registered Note (each, a "**Restricted Global Note**" and together with any Unrestricted Global Notes, the "**Global Registered Notes**"), without Coupons or Talons, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for DTC or, subject to compliance with applicable legal, regulatory and clearing system requirements, deposited with a depository for, and registered in the name of a nominee of, Euroclear or Clearstream Luxembourg.

Notes eligible for sale in the United States to QIBs and to persons that are not U.S. persons in reliance on Regulation S will be in registered form and may be represented by a single unified global note (each, a "**Unified Global Note**") which will be deposited with, and registered in the name of, a common depository (or its nominee) on behalf of Euroclear or Clearstream Luxembourg.

References herein to a "**Global Note Certificate**" include, as the context so requires, an Unrestricted Global Note, a Restricted Global Note and/or a Unified Global Note.

Uncertificated SIS Notes

Uncertificated SIS Notes will be offered and sold in reliance on Regulation S only and will be entered into the main register (*Hauptregister*) of SIS or any other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange. Neither the Issuer nor any holder of an Uncertificated SIS Note nor any third party will at any time have the right to effect or demand the conversion of such Uncertificated SIS Note into, or the delivery of, a Note in global or definitive form.

Series and Tranches

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 will have identical terms and conditions; however, except in the case of SIS Notes, a Tranche may comprise Notes in bearer form and Notes in registered form. Other than the issue date, the issue price and the date for the first payment of interest, the Notes of each Series will have identical terms, however, except in the case of SIS Notes, a Series may comprise Notes in bearer form and Notes in registered form.

Issue Price

Notes may be issued at par or at a discount or premium to par and either on a fully or partly paid basis.

Currencies

Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer subject to compliance with all relevant legal or regulatory requirements.

Multi-Currency Notes

Subject to compliance with all relevant legal and regulatory requirements, Notes may be denominated in one currency and payments in relation to the Notes may be made in one or more different currencies.

Denominations	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of US\$100,000 (or its equivalent in any other currency rounded upwards as specified in the relevant Pricing Supplement) and higher integral multiples of US\$1,000 (or its equivalent as aforesaid).
Maturity of Notes	<p>The Notes may be issued with any maturity subject to compliance with all relevant legal or regulatory requirements.</p> <p>The minimum maturity for Subordinated Notes (as defined below) is 5 years.</p>
Redemption	Notes may be redeemed at par or at such other redemption amount above or below par as may be determined by the Issuer.
Early Redemption	Early redemption will be permitted for taxation reasons and other reasons as specified in the Conditions and, subject to all relevant legal and regulatory requirements, will otherwise be permitted at the option of the Issuer or a Noteholder to the extent specified in the relevant Pricing Supplement.
Index-linked and credit-linked Notes	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of index-linked Notes or credit-linked Notes will be calculated by reference to such stock, commodity, obligation, index, currency exchange rate or formula as determined by the Issuer (all specified in the relevant Pricing Supplement). Index-linked Notes and credit-linked Notes will be settled either on a cash basis or physical settlement basis, as indicated in the applicable Pricing Supplement.
Equity Linked Notes	In respect of Equity Linked Notes payments of principal in respect thereof will be calculated by reference to the value of an underlying share and/or a formula (all as indicated in the applicable Pricing Supplement). Equity Linked Notes will be settled either on a cash basis or physical settlement basis, as indicated in the applicable Pricing Supplement.
Redenomination	If so specified in the relevant Pricing Supplement, the Issuer may, on giving at least 30 days' prior notice to the Noteholders, elect that the Notes be redenominated in euro with effect from the Redenomination Date.
Exchangeability	If so specified in the relevant Pricing Supplement, the Issuer may, on giving at least 30 days' prior notice to the Noteholders, elect that the Notes shall be exchangeable for Notes expressed to be denominated in euro, with effect from the Redenomination Date.
Interest	Notes may or may not bear interest. Interest (if any) may be at a fixed or floating rate and may vary during the lifetime of the relevant Series.
Fixed Interest Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement and at maturity.
Floating Rate Notes	Floating rate Notes will bear interest by reference to BBSW / CDOR / EURIBOR / HIBOR / JPY TSR / LIBOR / NIBOR / SHIBOR / SOR / STIBOR / U.S. Federal Funds Rate or such other benchmark as may be specified in the relevant Pricing Supplement as adjusted for any applicable margin. Interest Periods will be selected by the Issuer prior to issue and specified in the relevant Pricing Supplement. Floating Rate Notes may also have a maximum interest rate, a

minimum interest rate or both.

Other Notes

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.

Status

The Notes and Coupons are unsecured obligations of the Issuer and rank *pari passu* without any preference among themselves. The Notes may be senior notes ("**Senior Notes**") or subordinated notes ("**Subordinated Notes**") as specified in the relevant Pricing Supplement.

Senior Notes

Except as may be provided by any legislation, the payment obligations of the Issuer under Senior Notes and their Coupons will at all times rank equally with all other outstanding unsecured and unsubordinated obligations of the Issuer.

Subordinated Notes

The payment obligations of the Issuer under Subordinated Notes and their Coupons will at all times rank equally with all other subordinated obligations of the Issuer other than subordinated obligations which are expressed to rank junior to the Notes.

Substitution of the Issuer and Issuing Branch Substitution

The Issuer may, at its option and having given notice to the Noteholders, designate, without the consent of any Noteholders, an Affiliate (as defined below) to assume liability for the due and punctual payment of all payments on all Notes then outstanding in the relevant Series and the performance of all the Issuer's other obligations under all the Notes then outstanding in the relevant Series, the Issue and Paying Agency Agreement and the Deed of Covenant.

Prior to any such substitution of the Issuer, the Issuer may, at its option and having given notice to the Noteholders, (i) cease to make payments of principal, interest and any other amounts due under all Notes then outstanding in the relevant Series and fulfil any of its other obligations and exercise any of its rights and powers in respect of, or arising under, all Notes then outstanding in the relevant Series through the Branch or the UBS Head Office, as applicable, through which it is acting at the time of the relevant notice, and (ii) commence making such payments, fulfilling such other obligations and exercising such powers and rights through another Branch or the UBS Head Office (if the Issuer was not acting through the UBS Head Office at the time of the relevant notice).

Taxation

Payments in respect of Notes will be made free and clear of future taxes, duties or other withholdings imposed by or in (i) in the case of Notes issued through a Branch, the location of the relevant Branch, (ii) Switzerland and (iii) any other jurisdiction in which the Issuer is or becomes subject to tax unless such withholding or deduction is required by law. If such taxes are required to be withheld or deducted, the Issuer will pay additional amounts in respect of the Notes subject to the customary exceptions.

In the case of Notes issued by UBS Head Office, these exceptions include the Swiss federal withholding tax (which, as at the date of this Base Prospectus, is set at a rate of 35 per cent.) to which all payments of interest on such Notes will be subject, and no additional amounts shall be paid by the Issuer in respect of any such withholding. The holder of any such Note residing in Switzerland who, at the time the payment of interest is due, is the beneficial recipient of the payment of interest and who duly reports the gross payment of interest in his or her tax return and, as the case may be, in the statement of income, is entitled to a full refund of or a full tax credit for the Swiss federal

withholding tax. A holder of any such Note who is not resident in Switzerland may be able to claim a full or partial refund of the Swiss federal withholding tax by virtue of provisions of an applicable double taxation treaty, if any, between Switzerland and the country of residence of such holder.

ERISA

In certain circumstances (i.e., for Notes whose terms do not provide for payment in full of principal at their stated maturity) Benefit Plan Investors may not be permitted to purchase or hold Notes (or any interest therein). See "*United States Employee Benefit Plan Considerations*".

Listing

Each Series may be admitted to trading on the Irish Stock Exchange's Global Exchange Market and/or admitted to the Euro MTF Market of the Luxembourg Stock Exchange and/or 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.

Governing Law

The issuing and paying agency agreement and the deed of covenant entered into in relation to the Programme and all non-contractual obligations arising out of or in connection with them are governed by English law. The Notes (other than SIS Notes) and all non-contractual obligations arising out of or in connection with the Notes (other than SIS Notes) are governed by English law, except for, in the case of Subordinated Notes, Condition 5(b) (*Status of the Notes - In the case of Subordinated Notes*), which is governed by Swiss law. SIS Notes are governed by Swiss law.

Selling and Transfer Restrictions

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, Switzerland, Australia, Singapore, Japan, Hong Kong, the PRC, Taiwan, The Netherlands, Canada and the European Economic Area. These restrictions are described under "*Selling Restrictions*" and "*Transfer Restrictions*".

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.

Enforcement of Bearer Notes in Global Form

In the case of Bearer Notes (other than Bearer SIS Notes) in global form, held in a clearing system, investors will have certain direct rights of enforcement against the Issuer in the event of such global note becoming void ("**Direct Rights**"). The Direct Rights are contained in a Deed of Covenant executed by the Issuer, copies of which are available for inspection during normal business hours at the office of the Agent.

Clearing Systems

Euroclear, Clearstream Luxembourg, DTC, Clearstream Frankfurt, SIS and any other clearing system as may be specified in the relevant Pricing Supplement.

Distribution

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Rule 144A

Offers and sales in accordance with Rule 144A under the 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.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated in and taken to form part of the Base Prospectus and the Base Listing Particulars:

- (a) UBS Group AG's and UBS AG's annual report for the year ended 31 December 2016 ("**Annual Report 2016**"), which the Issuer filed on Form 20-F with the United States Securities and Exchange Commission (the "**SEC**") on 10 March 2017 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2016.html);
- (b) UBS Group AG's audited standalone financial statements for the year ended 31 December 2016, which UBS Group AG furnished on Form 6-K to the SEC on 10 March 2017 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/other_filings/sec.html);
- (c) UBS AG's audited standalone financial statements for the year ended 31 December 2016, which UBS Group AG furnished on Form 6-K to the SEC on 10 March 2017 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/other_filings/sec.html);
- (d) UBS Group AG's and UBS AG's annual report for the year ended 31 December 2015 ("**Annual Report 2015**"), which the Issuer filed on Form 20-F with the SEC on 18 March 2015 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2015.html);
- (e) UBS Group AG's submission on Form 6-K dated 28 April 2017, containing the first quarter 2017 financial report of UBS Group AG (accessible at http://www.ubs.com/global/en/about_ubs/investor_relations/other_filings/sec.html);
- (f) the Issuer's submission on Form 6-K dated 3 May 2017, containing the first quarter 2017 financial report of UBS AG (accessible at: http://www.ubs.com/global/en/about_ubs/investor_relations/other_filings/sec.html);
- (g) UBS Group AG's and UBS AG's submissions on form 6-K dated 3 May 2017, containing the Capitalisation table and ratio of earnings to fixed charges (accessible at: http://www.ubs.com/global/en/about_ubs/investor_relations/other_filings/sec.html);
- (h) the articles of association of UBS AG dated 4 May 2016 (accessible at: https://www.ubs.com/global/en/about_ubs/corporate-governance/aofassociation-ubs-ag.html); and
- (i) the terms and conditions set out on:
 - (i) pages 18-35 of the base prospectus dated 1 July 2005 (accessible at http://www.ise.ie/debt_documents/UBS%20AG%20EURO%20NOTE%20PROGRA%20Mme%20pdf_1083.pdf);
 - (ii) pages 18-36 of the base prospectus dated 3 July 2006 (accessible at http://www.ise.ie/debt_documents/Base%20Prospectus_9ecc88de-7743-4a7f-ac7a-60f57f88f3b2.pdf);
 - (iii) pages 19-37 of the base prospectus dated 4 July 2007 (accessible at http://www.ise.ie/debt_documents/UBS_9376.pdf);
 - (iv) pages 18-35 of the base prospectus dated 4 July 2008 (accessible at http://ise.ie/debt_documents/UBS%204%20July_638.pdf);
 - (v) pages 18-35 of the base prospectus dated 20 April 2009 (accessible at http://ise.ie/debt_documents/Final%20UBS_10921.pdf);
 - (vi) pages 23-42 of the base prospectus dated 27 August 2009 (accessible at http://ise.ie/debt_documents/1114_12902_BP_27082009_15597.pdf);
 - (vii) pages 18-37 of the base prospectus dated 25 August 2010 (accessible at http://ise.ie/debt_documents/UBS%20AG_bp_25.08.2010_16334.pdf);
 - (viii) pages 19-38 of the base prospectus dated 25 August 2011 (accessible at http://www.ise.ie/debt_documents/Base%20Prospectus_0ef97dee-0c78-44f7-9681-6d4c73bba0af.pdf);
 - (ix) pages 23-46 of the base prospectus dated 27 June 2012 (accessible at http://ise.ie/debt_documents/Base%20Prospectus_a890c495-56db-4ebb-b30d-576c794048ac.pdf);

- (x) pages 37-63 of the base prospectus dated 25 June 2013 (accessible at http://www.ise.ie/debt_documents/Base%20Prospectus_8b1ec97f-9d11-4b91-865a-114deab87712.PDF);
- (xi) pages 39-68 of the base prospectus dated 24 June 2014 (accessible at http://www.ise.ie/debt_documents/Base%20Prospectus_7caf1f17-362c-42ae-bf5c-7a6ae094dafd.PDF?v=2342015);
- (xii) pages 58-87 of the base prospectus dated 22 June 2015 (accessible at http://www.ise.ie/debt_documents/Base%20Prospectus_ad668981-d2fc-4f61-96f2-4218ab83c5fd.PDF); and
- (xiii) pages 56-85 of the base prospectus dated 22 June 2016 (accessible at http://www.ise.ie/debt_documents/Base%20Prospectus_e41059a3-27d6-4cff-922e-afe715c65551.PDF).

each relating to the Programme under the heading "*General Terms and Conditions*", all other information being of no relevance to Investors.

These documents have been filed with the Central Bank of Ireland in accordance with the Prospectus Directive.

The non-incorporated parts of the documents referred to above are either not relevant for the investor or covered elsewhere in this Base Prospectus/Base Listing Particulars.

Any statement contained in this Base Prospectus/Base Listing Particulars or in a document incorporated or deemed incorporated by reference into this Base Prospectus/Base Listing Particulars will be deemed to be modified or superseded for the purposes of this Base Prospectus/Base Listing Particulars 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/Base Listing Particulars, except as modified or superseded.

The consolidated financial statements of UBS AG and auditor's report thereon contained in the Annual Report 2015 are incorporated by reference herein to comply with certain requirements of the Prospectus Directive and the Irish Stock Exchange.

The Issuer has undertaken, in connection with the admission to trading of the Notes, that if while the Notes are outstanding and admitted to trading on the regulated market of the Luxembourg Stock Exchange and the Euro MTF Market of the Luxembourg Stock Exchange and/or to trading on the Irish Stock Exchange's Main Securities Market and/or the Global Exchange Market and/or to listing on the SIX Swiss Exchange there shall occur any significant new factor which is not reflected in this Base Prospectus/Base Listing Particulars (or any supplements thereto or any of the documents incorporated by reference in this Base Prospectus/Base Listing Particulars) and/or there shall be any material mistake or inaccuracy relating to the information included in this Base Prospectus/Base Listing Particulars (or any supplements thereto or any of the documents incorporated by reference in this Base Prospectus/Base Listing Particulars), 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/Base Listing Particulars or, as the case may be, publish a new Base Prospectus/Base Listing Particulars for use in connection with any subsequent offering by the Issuer of Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and the Euro MTF Market of the Luxembourg Stock Exchange and/or to trading on the Irish Stock Exchange's Main Securities Market and/or the Global Exchange Market and/or to listing on the SIX Swiss Exchange.

The Issuer will, at its specified offices in Switzerland and at the specified offices of the Paying Agent in Luxembourg, provide, free of charge, upon the oral or written request, a copy of this Base Prospectus/Base Listing Particulars (or any document incorporated by reference in this Base Prospectus/Base Listing Particulars). Written or oral requests for such documents should be directed to the specified office of the Listing Agent in Luxembourg.

The reports 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 1-800-SEC-0330 (in the United States) or at 1-202-942-8088 (outside the United States) 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.

Websites specified in this Base Prospectus/Base Listing Particulars are provided for convenience only and their contents do not form any part of this Base Prospectus/Base Listing Particulars.

TERMS AND CONDITIONS OF THE NOTES

UBS AG (the "**Issuer**") has established a programme (the "**Programme**") under which it will issue notes and other debt securities (the "**Notes**"), in each case acting through its head offices in Basel and Zurich ("**UBS Head Office**") or its London branch ("**UBS AG London Branch**"), Jersey branch ("**UBS AG Jersey Branch**"), Australia branch ("**UBS AG Australia Branch**"), Hong Kong branch ("**UBS AG Hong Kong Branch**") or one of its other branches outside of Switzerland as it may from time to time determine (UBS AG London Branch, UBS AG Jersey Branch, UBS AG Australia Branch, UBS AG Hong Kong Branch or the Issuer acting through such other branch outside of Switzerland, a "**Branch**"). 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 will have identical terms and conditions; however, except in the case of SIS Notes (as defined below), a Tranche may comprise Notes in bearer form and Notes in registered form. The Notes of each Series will have identical terms; however, the issue date for each Tranche will, and the issue price and the date for the first payment of interest of each Tranche may, be different from the issue date, the issue price and the date for the first payment of interest in other Tranches of the same Series.

In connection with the Programme, the Issuer has entered into an amended and restated issuing and paying agency agreement dated 31 May 2017 (as further amended and restated from time to time, the "**Agency Agreement**") with The Bank of New York Mellon, acting through its London Branch as issuing and paying agent (the "**Agent**" which expression includes any successor to The Bank of New York Mellon), U.S. Bank Trust National Association and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrars (the "**Registrars**" which expression includes any successor Registrar appointed in accordance with the terms of the Agency Agreement), The Bank of New York Mellon SA/NV Dublin Branch as Irish paying agent (the "**Irish Paying Agent**" which expression includes any successor of The Bank of New York Mellon SA/NV Dublin Branch as Irish Paying Agent), certain other paying agents (the "**Paying Agents**" which expression shall include the Agent and any other paying agent appointed in accordance with the terms of the Agency Agreement) and transfer agents (the "**Transfer Agents**" which expression shall include The Bank of New York Mellon and any other transfer agent appointed in accordance with the terms of the Agency Agreement) named in the Agency Agreement. The Issuer has also entered into a deed of covenant dated 31 May 2017 (as further amended and restated from time to time) (the "**Deed of Covenant**") in relation to the Notes issued under the Programme.

References to the parties herein and in the General Terms and Conditions (as defined below) include references to their successors, including without limitation, an entity which assumes the rights and obligations of the relevant party by operation of the law of the jurisdiction of incorporation or domicile of such party.

The Agency Agreement contains a set of general terms and conditions (the "*General Terms and Conditions*"). The General Terms and Conditions do not reflect the terms and conditions of any specific issue of Notes. The General Terms and Conditions may be amended from time to time.

For the purposes of Notes that are, or are intended to be, deposited or registered with SIS (as defined below) or any other clearing institution recognised by the SIX Swiss Exchange Ltd (the "**SIX Swiss Exchange**") (such Notes, "**SIS Notes**"), the Issuer will, together with the Agent, the other parties to the Agency Agreement, UBS Head Office as principal Swiss paying agent (the "**Principal Swiss Paying Agent**") and the other agents acting as Swiss paying agents, if any (together with the Principal Swiss Paying Agent, the "**Swiss Paying Agents**"), enter into a supplemental issuing and paying agency agreement substantially in the form attached to the Agency Agreement (the "**Supplemental Agency Agreement**"). In addition, for the purposes of the relevant SIS Notes, all references in the Terms and Conditions of the Notes to (i) the Agency Agreement shall be construed as references to the Agency Agreement as supplemented by the relevant Supplemental Agency Agreement, (ii) the Agent and the Paying Agents shall, so far as the context permits, be construed as references only to the Principal Swiss Paying Agent and the relevant Swiss Paying Agents, respectively, in each case as set out in Part B of the Pricing Supplement, and (iii) "Euroclear", "Clearstream Luxembourg" and "DTC" shall be construed as including references to SIX SIS Ltd, Olten, Switzerland ("**SIS**") or such other clearing system approved by the SIX Swiss Exchange, which shall be considered an additional or alternative clearance system for the purposes of the final paragraph of Condition 2(b)(vi) of the General Terms and Conditions of the Notes.

In connection with each issue of Notes, where such issue requires a prospectus under Directive 2003/71/EC, as amended (the "**Prospectus Directive**") the Issuer will prepare final terms (the "**Final Terms**") or a drawdown prospectus (the "**Drawdown Prospectus**") which will contain the information which specifically relates to that issue of Notes. In connection with each issue of Notes, where such issue does not require a prospectus under the Prospectus Directive, the Issuer will prepare a pricing supplement (the "**Pricing Supplement**") which will contain the information which specifically relates to such issue of Notes. In relation to any issue of Notes, the Final Terms may contain provisions which complete, and the Pricing Supplement or the Drawdown Prospectus may contain provisions which supplement, modify or replace, all or any part of the General Terms and Conditions for the purpose of that issue alone. The applicable provisions of the relevant Final Terms, Drawdown Prospectus or Pricing Supplement will be endorsed upon, or attached to, each temporary global Note, permanent global Note, definitive Bearer Note and Registered Note. A copy of the Final Terms, Drawdown Prospectus or Pricing Supplement (as applicable) for each issue of Notes will be available for inspection at the specified office of the Agent and, in the case of Notes in registered form, the relevant Registrar. In respect of Notes listed on the regulated market of the Luxembourg Stock Exchange or the Luxembourg Stock Exchange's Euro MTF Market, a copy of the Final Terms, Pricing Supplement or the Drawdown Prospectus (as applicable) will be lodged with the Luxembourg Stock Exchange and will be available free of charge at the specified office of the Paying Agent and the Transfer Agent in Luxembourg. In respect of Notes listed on the regulated market of the Irish Stock Exchange or the Global Exchange Market of the Irish Stock Exchange, a copy of the Final Terms, the Pricing Supplement or the Drawdown Prospectus (as applicable) will be delivered to the Irish Stock Exchange. In respect of Notes listed on the SIX Swiss Exchange, a copy of the Pricing Supplement will be delivered to the SIX Swiss Exchange.

To determine the terms and conditions which apply to a particular issue of Notes, it is necessary (i) to refer to the General Terms and Conditions in force on the date the Notes were issued and (ii) to consider the extent to which the General Terms and Conditions have been completed by the information contained in the relevant Final Terms or supplemented, modified or replaced by the information contained in the relevant Drawdown Prospectus or Pricing Supplement (as the case may be).

In relation to the terms and conditions of any issue of Notes, to the extent that there is any inconsistency between the General Terms and Conditions and the terms and conditions which appear in the relevant Pricing Supplement or Drawdown Prospectus the terms and conditions which appear in such Pricing Supplement or Drawdown Prospectus shall prevail.

Each issue of Notes may be (i) represented by Notes in bearer form ("**Bearer Notes**") or (ii) represented by Notes in registered form ("**Registered Notes**") or (iii) represented by Bearer Notes or Registered Notes or (iv) in the case of SIS Notes issued by UBS Head Office, issued in uncertificated form ("**Uncertificated SIS Notes**"), as indicated in the relevant Final Terms, Pricing Supplement or Drawdown Prospectus. If the Final Terms, Pricing Supplement or Drawdown Prospectus for an issue of Notes specifies that the Notes may be represented by Bearer Notes or Registered Notes, then unless otherwise specified in the relevant Final Terms, Pricing Supplement or Drawdown Prospectus, Bearer Notes may be exchanged for Registered Notes of the same Series; however, it will not be possible to exchange Registered Notes for Bearer Notes.

Bearer Notes

Unless otherwise specified in the relevant Final Terms, Pricing Supplement or Drawdown Prospectus, in relation to each issue of Notes for which Bearer Notes are available, the Bearer Notes may initially be represented by any one or more of (i) one or more temporary global Notes (each, a "**Temporary Global Note**"), (ii) one or more permanent global Notes (each, a "**Permanent Global Note**") or (iii) definitive Notes. In the case of Bearer Notes initially represented by a Temporary or Permanent Global Note (each a "**Global Note**"), if the relevant Final Terms, Pricing Supplement or Drawdown Prospectus specifies that the New Global Note form is not applicable, the Global Note will be deposited with a depositary for one, or a common depositary for more than one, clearing system, including Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme, ("**Clearstream Luxembourg**"), Clearstream Banking AG ("**Clearstream Frankfurt**") and SIS. Otherwise, if the Final Terms, Pricing Supplement or Drawdown Prospectus specifies that the New Global Note form is applicable, the Global Note will be deposited with a common safekeeper for Euroclear and/or Clearstream Luxembourg. Temporary Global Notes will be exchanged for either (i) a Permanent Global Note which, if the Final Terms, Pricing Supplement or Drawdown Prospectus specifies that the New Global Note form is not applicable, will be held by a depositary for one, or a common depositary for more than one, clearing system, or if the Final

Terms, the Pricing Supplement or the Drawdown Prospectus specifies that the New Global Note form is applicable, will be held by a common safekeeper or clearing system, as the case may be, or (ii) definitive Notes in accordance with the provisions set out in the relevant Temporary Global Note. A Permanent Global Note may be exchanged for definitive Notes only in accordance with the provisions set out in the relevant Permanent Global Note. As a result of the issue of global Notes, rights conferred by Euroclear, Clearstream Luxembourg or Clearstream Frankfurt in relation to the Notes will be created in favour of Noteholders.

In the case of each Tranche of Bearer Notes that are SIS Notes ("**Bearer SIS Notes**"), such Bearer SIS Notes will be (i) issued by a Branch, and (ii) represented exclusively by a Permanent Global Note, which will be deposited with SIS or, as the case may be, with any other intermediary in Switzerland recognised for such purposes by SIX Swiss Exchange (SIS or any such other intermediary, the "**Intermediary**"). Once the Permanent Global Note is deposited with the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Bearer SIS Notes represented thereby will constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) ("**Intermediated Securities**").

For so long as the Permanent Global Note remains deposited with the Intermediary the co-ownership interest shall be suspended and such Bearer SIS Notes may only be transferred by the entry of the transferred Bearer SIS Notes in a securities account of the transferee.

The records of the Intermediary will determine the number of Bearer SIS Notes held through each participant in that Intermediary. In respect of the Bearer SIS Notes held in the form of Intermediated Securities, the holders of such Bearer SIS Notes will be the persons holding such Bearer SIS Notes in a securities account (*Effektenkonto*) or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Bearer SIS Notes in a securities account (*Effektenkonto*) (and the expressions "Noteholder", "Holder" and "holder of Notes" and related expressions shall be construed accordingly).

Neither the Issuer nor any holder of Bearer SIS Notes will at any time have the right to effect or demand the conversion of the Permanent Global Note documenting such Bearer SIS Notes into, or the delivery of, Notes in uncertificated or definitive form.

No physical delivery of the Bearer SIS Notes shall be made unless and until Bearer SIS Notes in definitive form ("**Definitive Bearer SIS Notes**") are printed. Definitive Bearer SIS Notes may only be printed, in whole, but not in part, if the Principal Swiss Paying Agent determines, after consultation with the Issuer, that the printing of the definitive Notes is necessary or useful or the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of the rights of Noteholders. Should the Principal Swiss Paying Agent so determine, it shall provide for the printing of Definitive Bearer SIS Notes without cost to the holders of the relevant Bearer SIS Notes. If Definitive Bearer SIS Notes are printed, the Principal Swiss Paying Agent will (i) cancel the Permanent Global Note documenting the relevant Bearer SIS Notes and (ii) deliver the Definitive Bearer SIS Notes documenting such Bearer SIS Notes to the relevant Noteholders against cancellation of such Notes in the Noteholders' securities accounts.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note documenting Bearer SIS Notes will be made through SIS (or any other relevant Intermediary) without any requirement for certification.

Registered Notes

Registered Notes which are sold outside the United States (as defined in Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**Securities Act**")) to non-US persons only in reliance on Regulation S, will initially be represented by interests in a single, permanent global unrestricted registered Note (each an "**Unrestricted Global Note**"), without Coupons or Talons, which will be deposited with a depositary for, and registered in the name of a nominee of, Euroclear, Clearstream Luxembourg and Clearstream Frankfurt. Interests in each such Unrestricted Global Note may be held only through Euroclear, Clearstream Luxembourg or Clearstream Frankfurt.

Each Note represented by an Unrestricted Global Note will either be: (a) in the case of a Note which is not to be held under the new safekeeping structure (the "**New Safekeeping Structure**" or "**NSS**"),

registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note will be deposited on or about the issue date with the common depository; or (b) in the case of a Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream Luxembourg.

Registered Notes sold in the United States to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) only in reliance upon Rule 144A will initially be represented by a single, permanent global restricted registered Note (each, a "**Restricted Global Note**"), without Coupons or Talons, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee for The Depository Trust Company ("**DTC**") or, subject to compliance with applicable legal, regulatory and clearing system requirements, deposited with a depository for, and registered in the name of, a nominee of Euroclear or Clearstream Luxembourg.

Registered Notes sold both in the United States to "qualified institutional buyers" in reliance upon Rule 144A and outside the United States to non-US persons in reliance on Regulation S will initially be represented by a single, unified global registered Note (each, a "**Unified Global Note**"), without Coupons or Talons, which will be deposited with a depository for, and registered in the name of a nominee of, Euroclear and/or Clearstream Luxembourg. Interests in each such Unified Global Note may be held only through Euroclear and/or Clearstream Luxembourg.

References in this Base Prospectus to "**Global Note Certificate**" shall be construed as a reference to an Unrestricted Global Note and/or a Restricted Global Note and/or a Unified Global Note.

Holders of interests in a Global Note Certificate may apply for definitive Registered Notes only in the limited circumstances set out in the relevant global Note.

Uncertificated SIS Notes

Uncertificated SIS Notes will be sold outside the United States only to non-US persons in reliance on Regulation S and will be issued as uncertificated securities (*Wertrechte*), which will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtbuch*) maintained at the Issuer's registered office. The Uncertificated SIS Notes will be entered into the main register (*Hauptregister*) of the Intermediary. Once the Uncertificated SIS Notes are entered into the main register (*Hauptregister*) of the Intermediary, the Uncertificated SIS Notes will constitute Intermediated Securities.

So long as Uncertificated SIS Notes remain registered with the Intermediary, they may only be transferred by the entry of the transferred Uncertificated SIS Notes in a securities account of the transferee.

The records of the Intermediary will determine the number of Uncertificated SIS Notes held through each participant in such Intermediary. In respect of Uncertificated SIS Notes held in the form of Intermediated Securities, the holders of such Uncertificated Notes will be the persons holding such Uncertificated SIS Notes in a securities account (*Effektenkonto*), or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Uncertificated SIS Notes in a securities account (*Effektenkonto*) (and the expressions "Noteholder", "Holder" and "holder of Notes" and related expressions shall be construed accordingly).

Neither the Issuer nor any holder of an Uncertificated SIS Note nor any third party will at any time have the right to effect or demand the conversion of such Uncertificated SIS Note into, or the delivery of, a Note in definitive or global form.

Conditions applicable to Global Notes

Each Global Note and Global Note Certificate will contain provisions which modify the General Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note or Global Note Certificate which, according to the General Terms and Conditions of the Notes, require presentation and/or surrender of Note or Coupon will

be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a Classic Global Note the payment is noted in a schedule thereto and in respect of a New Global Note the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

Payment Business Day: in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

GENERAL TERMS AND CONDITIONS

The terms and conditions which are set out below are the General Terms and Conditions which appear in the Agency Agreement. The General Terms and Conditions may be completed from time to time by the relevant Final Terms or set out in a Pricing Supplement or a Drawdown Prospectus in respect of the relevant issue of the Notes. In the case of any Tranche of Notes which is being (a) offered to the public in a Member State (other than pursuant to one or more exemptions set out in Article 3.2 of the Prospectus Directive) or (b) admitted to trading on a regulated market in a Member State, the relevant Final Terms shall not amend or replace any information in this Base Prospectus. In respect of any Tranche of Notes, the issue of which requires a prospectus under the Prospectus Directive, to the extent permitted by applicable law and/or regulation, the Drawdown Prospectus may supplement, amend or replace any information in this Base Prospectus.

1. DEFINITIONS

"Accrual Yield" means the yield as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Agency Agreement" means the amended and restated issuing and paying agency agreement for the Programme dated 31 May 2017 (as further amended and restated from time to time) between, *inter alios*, the Issuer, the Agent, the Registrars and the Paying Agents; **provided, however, that** with respect to SIS Notes, all references to the Agency Agreement herein shall be to the Agency Agreement as supplemented by the relevant Supplemental Agency Agreement.

"Agent" means The Bank of New York Mellon, acting through its London Branch as issuing and paying agent for the Programme and includes any successor to The Bank of New York Mellon in its capacity as Agent; **provided, however, that** with respect to any Series of SIS Notes, all references to the Agent herein shall be to the Principal Swiss Paying Agent.

"BBSW" means, in respect of Australian dollars and any specified period, the interest rate (expressed as a percentage per annum) for prime bank eligible securities having a tenor closest to the Interest Period which is designated as the "AVG MID" on the Reuters Screen BBSW page at approximately 10.10 a.m. on the first day of such specified period. However, if such rate does not appear on the Reuters Screen BBSW page by 10.30 a.m. on that day, or if it does appear but the Issuer determines that there is an obvious error in that rate, "BBSW Rate" means the rate determined by the Issuer in good faith having regard, to the extent possible, to the comparable indices then available. The rate must be expressed as a percentage per annum and will be rounded up, if necessary, to the next higher one ten-thousandth of a percentage point (0.0001 per cent.)

"Bearer Notes" means Notes in bearer form.

"Bearer SIS Notes" means SIS Notes that are Bearer Notes.

"Broken Amount" means the amount as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Business Day" means a day on which (i) commercial banks are open for business in the financial centres referred to in the Business Days section of the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, and (ii) foreign exchange markets settle payments generally in the financial centres referred to in the Business Days section of the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. In relation to Notes denominated in euro, a **"Business Day"** is a day on which the TARGET2 System is operating, **provided that**, if the Issuer determines, with the agreement of the Agent, that the market practice in respect of internationally offered euro-denominated securities is different from that specified herein, the definition of "Business Day" shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendment. In relation to Notes denominated in Renminbi only, **"Business Day"** is a day (other than a Sunday or a Saturday) on which commercial banks and foreign exchange markets are open for business and

settle Renminbi payments in Hong Kong and are not authorised or obligated by law or executive order to be closed.

"Business Day Convention", in relation to any particular date, shall be the convention specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement and, if so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
 - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred;
- (e) **"Following Unadjusted Business Day Convention"** means, for any Interest Payment Date, other than the stated maturity date, that falls on a day that is not a Business Day, any payment due on such Interest Payment Date will be postponed to the next day that is a Business Day; provided that interest due with respect to such Interest Payment Date shall not accrue from and including such Interest Payment Date to and including the date of payment of such interest as so postponed;
- (f) **"Modified Following Unadjusted Business Day Convention"** means, for any Interest Payment Date, other than the stated maturity date, that falls on a day that is not a Business Day, any payment due on such Interest Payment Date will be postponed to the next day that is a Business Day; provided that interest due with respect to such Interest Payment Date shall not accrue from and including such Interest Payment Date to and including the date of payment of such interest as so postponed; and provided, further, that if such day would fall in the next succeeding calendar month, the date of payment with respect to such Interest Payment Date will be advanced to the Business Day immediately preceding such Interest Payment Date; and
- (g) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"Calculation Agent" means the calculation agent specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Calculation Amount" means the calculation amount as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"CDOR" means, in respect of any Canadian dollar denominated issuance and any specified period, the interest rate benchmark known as the Canadian Dealer Offered Rate which 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 which takes over the administration of that rate) based on the average rate for Canadian dollar bankers acceptances for a number of designated maturities which are provided by a panel of contributor banks (details of historic CDOR rates can be obtained from the designated distributor).

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

"Couponholder" means the bearer of a Coupon.

"Coupon" means a coupon entitling the holder to receive a payment of interest in relation to an interest bearing Bearer Note in definitive form. Interest bearing Bearer Notes in definitive form will be issued with Coupons attached. Any reference herein to a Coupon shall, unless the context otherwise requires, be deemed to include a reference to a Talon.

"Day Count Fraction" means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Final Terms, Drawdown Prospectus or Pricing Supplement:

- (i) if **"Actual/Actual (ICMA)"** is so specified, means:
 - (a) 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 (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (b) 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 (1) the actual number of days in such Regular Period and (2) 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 (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if **"Actual/365"**, **"Actual/Actual"** or **"Actual/Actual (ISDA)"** is so specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if **"Actual/360"** is so specified, the actual number of days in the Calculation Period divided by 360;
- (iv) if **"30/360"** is so specified, the number of days in the Calculation Period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360; and
- (v) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365.

"Drawdown Prospectus" means the drawdown prospectus prepared in connection with an issue of the Notes. A copy of the Drawdown Prospectus is available for inspection at the specified office of the Agent and, in the case of Registered Notes, the relevant Registrar and is available free of charge at the specified office of the Paying Agent and the Transfer Agent in Luxembourg.

"Dual Currency Notes" shall mean the Notes which are identified in the relevant Pricing Supplement or Drawdown Prospectus as being Notes to which the dual currency provisions are applicable.

"Early Redemption Amount" means the amount so specified in the relevant Drawdown Prospectus or Pricing Supplement.

"Early Redemption Date" means the date as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"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 (details of historic EURIBOR rates can be obtained from the designated distributor).

"Final Redemption Amount" means the amount as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Final Terms" means the final terms prepared in connection with an issue of the Notes. A copy of the Final Terms is available for inspection at the specified office of the Agent and, in the case of Registered Notes, the relevant Registrar and is available free of charge at the specified office of the Paying Agent and the Transfer Agent in Luxembourg.

"Fixed Coupon Amount" means the amount as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"HIBOR" means, in respect of any Hong Kong dollar denominated issuance and any specified period, the interest rate benchmark known as the Hong Kong Inter Bank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Hong Kong Association of Banks (or any other person which takes over the administration of that rate) based on estimated Hong Kong dollar denominated interbank borrowing rates for a number of designated maturities which are provided by a panel of contributor banks (details of historic HIBOR rates can be obtained from the designated distributor).

"Higher Redemption Amount" means the amount as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Instalment Amount" means the amount as so specified in the relevant Pricing Supplement or Drawdown Prospectus.

"Instalment Note" means a Note, the principal amount of which is payable by instalments.

"Interest Basis" means the interest basis as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Interest Commencement Date" means the date as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Interest Determination Date" means the date as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Interest Payment Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

Supplement and, if a Business Day Convention is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"Irish Stock Exchange" means the Irish Stock Exchange.

"ISDA Definitions" means either the 2000 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.) or, the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.)

"Issue Date" means the date as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Issuer" means UBS AG (acting through its head offices in Basel and Zurich ("**UBS Head Office**") or its London branch ("**UBS AG London Branch**"), Jersey branch ("**UBS AG Jersey Branch**"), Australian branch ("**UBS AG Australia Branch**"), Hong Kong branch ("**UBS AG Hong Kong Branch**") or any of its other branches outside of Switzerland as it may from time to time determine (UBS AG London Branch, UBS AG Jersey Branch, UBS AG Australia Branch, UBS AG Hong Kong Branch or such other branch outside of Switzerland, a "**Branch**") as specified in the relevant Final Terms).

"JPY TSR" means, in respect of Yen and any specified period, the swap rate for Yen swap transactions known as the Tokyo swap reference rate which 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 for a number of designated maturities which are provided by a panel of contributor banks (details of historic JPY TSR rates can be obtained from the designated distributor).

"LIBOR" means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which 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 a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor).

"London Banking Day" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

"Margin" means the margin as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Maturity Date" means the date as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Minimum Redemption Amount" means the amount as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"NIBOR" means, in respect of any Norwegian Krone denominated issuance and any specified period, the interest rate benchmark known as the Norwegian Inter Bank Offered Rate which 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 which takes over the administration of that rate) based on estimated Norwegian Krone denominated interbank borrowing rates for a number of designated maturities which are provided by a panel of contributor banks (details of historic NIBOR rates can be obtained from the designated distributor).

"Noteholder" or **"Holders"** means (i) in relation to a Bearer Note, the bearer of the Bearer Note, and (ii) in relation to a Registered Note, the person in whose name the Registered Note is registered provided that (i) for Bearer SIS Notes (a) if such Note is held in the form of an Intermediated Security, (x) the Person, other than an intermediary (*Verwahrungsstelle*), holding such Note in a securities account (*Effektenkonto*) with an intermediary (*Verwahrungsstelle*), or (y) the intermediary (*Verwahrungsstelle*) holding such Note for its own account or (b), if Definitive Bearer SIS Notes have been printed, the bearer of the Definitive Bearer SIS Notes, and (ii) for Uncertificated SIS 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.

"Notes" means the notes or debt securities of the Tranche or Series specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. Any reference to Notes includes a reference to (i) Bearer Notes or Registered Notes or Uncertificated SIS Notes, whichever is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, (ii) Unified Global Notes and (iii) notes of such Tranche or Series in global form and notes in definitive form.

"Optional Redemption Amount" means the amount as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Optional Redemption Date" means the date as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Partly Paid Note" means a Note specified as such in the relevant Pricing Supplement or Drawdown Prospectus.

"Paying Agent" means the paying agents named in the Agency Agreement and includes the Agent and any other paying agent appointed in accordance with the terms of the Agency Agreement.

"Pricing Supplement" means the pricing supplement prepared in connection with an issue of the Notes which will not require a prospectus under the Prospectus Directive. A copy of the Pricing Supplement is available for inspection at the specified office of the Agent and, in the case of Registered Notes, the relevant Registrar.

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to Australian dollars, it means Sydney or Melbourne and in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected (in

the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

- (iii) in relation to Renminbi, it means Hong Kong or the principal financial centre as is specified in the applicable Final Terms, Drawdown Prospectus or Pricing Supplement.

"Principal Swiss Paying Agent" means UBS Head Office, as principal Swiss paying agent for SIS Notes and includes any successor to UBS Head Office in such capacity.

"Programme" means the programme for issuing notes established by the Issuer, under which the Notes are issued.

"Prospectus Directive" means Directive 2003/71/EC, as amended.

"Receipt" means the payment receipt entitling the holder to receive payment of an instalment of principal in relation to an Instalment Note in definitive form. Instalment Notes in definitive form will be issued with Receipts attached.

"Receiptholder" means the bearer of a Receipt.

"Redemption Amount" means in respect of any Note, its principal amount, or such other amount as may be specified in the relevant Final Terms, Pricing Supplement or Drawdown Prospectus.

"Reference Rate" means BBSW, CDOR, EURIBOR, HIBOR, JPY TSR, LIBOR, NIBOR, SHIBOR, SOR, STIBOR or U.S. Federal Funds Rate as specified in the relevant Final Terms in respect of the currency and period specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Registered Notes" means Notes in registered form.

"Registrar" means, in relation to Registered Notes held through Euroclear, Clearstream, Luxembourg or Clearstream Frankfurt, The Bank of New York Mellon SA/NV, Luxembourg Branch and, in relation to Registered Notes held through DTC, U.S. Bank Trust National Association and includes any successor Registrar appointed in accordance with the terms of the Agency Agreement.

"Regular Period" means:

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

"Relevant Financial Centre" means the financial centre or centres to the relevant currency for the purposes of the definition of "Business Day" in the 2000 ISDA Definitions (as amended and updated as at the date specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement), as published by the International Swaps and Derivatives Association, Inc. or if so

specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, the 2006 ISDA definitions (as amended and updated as at the date specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement), as published by the International Swaps and Derivatives Association, Inc. and in the case of Notes which are denominated in Renminbi means Hong Kong.

"Relevant Screen Page" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, Drawdown Prospectus or 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 the Reference Rate.

"Renminbi Notes" means Notes denominated in Renminbi.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Series" means the series specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"SHIBOR" means, in respect of a Renminbi-denominated issuance and any specified period, the interest rate benchmark known as the Shanghai Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the National Interbank Funding (or any other person which takes over the administration of that rate) based on estimated interbank Renminbi-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic SHIBOR rates can be obtained from the designated distributor).

"SIS Notes" means Notes that are, or are intended to be, deposited or registered with SIS (as defined below) or any other clearing institution recognised by the SIX Swiss Exchange Ltd (the **"SIX Swiss Exchange"**).

"SOR" means, in respect of any Singapore dollar denominated issuance and any specified period, the interest rate benchmark known as the Swap Offered Rate which 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 which takes over the administration of that rate) based on estimated Singapore dollar denominated interbank borrowing rates for a number of designated maturities which are provided by a panel of contributor banks (details of historic SOR rates can be obtained from the designated distributor).

"Specified Currency" means the currency as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Specified Denomination" means the denomination as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Specified Period" means the period as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"STIBOR" means, in respect of any Swedish krona denominated issuance and any specified period, the interest rate benchmark known as the Stockholm Inter Bank Offered Rate which 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 which takes over the administration of that rate) based on estimated Swedish krona denominated interbank borrowing rates for a number of designated maturities which are provided by a panel of contributor banks (details of historic STIBOR rates can be obtained from the designated distributor).

"Supplemental Agency Agreement" means, with respect to any Series of SIS Notes, the relevant supplemental issuing and paying agency agreement to the Agency Agreement executed by, amongst others, the Issuer, the Agent, and the Principal Swiss Paying Agent.

"Talon" means a talon entitling the holder to receive further Coupons in relation to an interest bearing Bearer Note in definitive form. Where a Talon is required, interest bearing Bearer Notes in definitive form will be issued with a Talon attached.

"Talonholder" means the bearer of a Talon.

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

"Tax Redemption Amount" means the amount as so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Terms and Conditions of the Notes" means these General Terms and Conditions as completed by the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, or amended, supplemented, modified or replaced from time to time by the information contained in the relevant Pricing Supplement or Drawdown Prospectus. To the extent that the information in a Pricing Supplement or Drawdown Prospectus supplements, modifies or replaces the General Terms and Conditions, it shall do so only for the purpose of the issue of Notes to which the relevant Pricing Supplement or Drawdown Prospectus relates. To the extent that there is any inconsistency between the General Terms and Conditions and the terms and conditions which appear in the relevant Pricing Supplement or Drawdown Prospectus, the terms and conditions which appear in the relevant Pricing Supplement or Drawdown Prospectus (as applicable) shall prevail.

"Tranche" means the tranche specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Transfer Agent" means the transfer agents named in the Agency Agreement and includes each Registrar and any substitute or additional agents appointed in accordance with the terms of the Agency Agreement.

"Uncertificated SIS Notes" means SIS Notes in uncertificated form.

"Unified Notes" means Notes represented by a single unified global note.

"U.S. Federal Funds Rate" means (i) the rate with respect to the particular Interest Determination Date for U.S. 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 (ii) if the rate referred to in paragraph (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 the particular Interest Determination Date for U.S. 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 (iii) if the rate referred to in paragraph (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 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.

"Zero Coupon Note" means a Note specified as such in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

References to the Issuer include references to its successors, including, without limitation, an entity which assumes the rights and obligations of the Issuer by operation of the law of jurisdiction or domicile of the Issuer.

2. FORM AND DENOMINATION

(a) *General*

- (i) The Aggregate Nominal Amount of the Notes is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. All payments in relation to the Notes will be made in the same currency as the Aggregate Nominal Amount unless otherwise specified in the relevant Pricing Supplement or Drawdown Prospectus. The Notes are available in the Specified Denominations specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.
- (ii) Unless otherwise specified in the relevant Pricing Supplement or Drawdown Prospectus, each Issue of Notes may be represented by (i) Bearer Notes or (ii) Registered Notes or (iii) Bearer Notes or Registered Notes or (iv) issued in the form of Uncertificated SIS Notes, as indicated in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. If an issue of Notes is represented by Bearer Notes or Registered Notes, then unless otherwise specified in the Pricing Supplement or Drawdown Prospectus, Bearer Notes may be exchanged for Registered Notes. However, Registered Notes may not be exchanged for Bearer Notes.

(b) *Bearer Notes*

- (i) Unless otherwise specified in the Pricing Supplement or Drawdown Prospectus, in relation to each issue of Notes for which Bearer Notes are available, the Bearer Notes may initially be represented by any one or more of (i) one or more Temporary Global Notes, (ii) one or more Permanent Global Notes, or (iii) serially numbered definitive Notes.
- (ii) In the case of Bearer Notes initially represented by a Temporary Global Note or Permanent Global Note, such global note will be deposited with a depositary for one, or a common depositary or common safekeeper for more than one, clearing system, including Euroclear Bank S.A./N.V. ("**Euroclear**"), Clearstream Banking, société anonyme ("**Clearstream Luxembourg**") and Clearstream Banking AG ("**Clearstream Frankfurt**") or any other clearing system.
- (iii) As specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, Temporary Global Notes will be exchanged for either (i) a Permanent Global Note which will be held by a depositary for one, or a common depositary or common safekeeper for more than one, clearing system (including Euroclear, Clearstream Luxembourg and Clearstream Frankfurt), or (ii) serially numbered definitive notes, in accordance with the provisions set out in the Temporary Global Note. A copy of the Temporary Global Note will be available for inspection at the office of the Agent and, in the case of Notes listed on the Luxembourg Stock Exchange, the Paying Agent in Luxembourg.
- (iv) As specified in the Final Terms, Drawdown Prospectus or Pricing Supplement, a Permanent Global Note may be exchanged for serially numbered definitive Notes only in accordance with the provisions set out in the relevant Permanent Global Note. A copy of the Permanent Global Note will be available for inspection at the office of the Agent and, in the case of Notes listed on the Luxembourg Stock Exchange, the Paying Agent in Luxembourg.
- (v) If so specified in the Final Terms, Drawdown Prospectus or Pricing Supplement, the Bearer Notes may be represented on issue by one or more Permanent Global Notes.
- (vi) In the case of Bearer SIS Notes, such Notes will be (i) issued by the Issuer acting through a Branch and (ii) represented exclusively by a Permanent Global Note, which shall be deposited with SIX SIS Ltd, Olten, Switzerland ("**SIS**"), or such other intermediary in Switzerland as may be recognised for such purposes by the SIX Swiss Exchange. The Permanent Global Note will only be exchangeable, in whole but not in part, for definitive Bearer SIS Notes if the Principal Swiss Paying Agent determines,

after consultation with the Issuer, that the printing of definitive Notes is necessary or useful, or the presentation of definitive Notes is required by Swiss or other applicable laws and regulations in connection with the enforcement of the rights of Noteholders. Neither the Issuer nor any holder of Bearer SIS Notes will at any time have the right to effect or demand the conversion of the Permanent Global Note documenting such Bearer SIS Notes into, or the delivery of, Notes in uncertificated or definitive form.

(c) *Registered Notes*

In relation to each issue of Notes for which Registered Notes are available, the Registered Notes may initially be represented by (i) one or more global Notes, (ii) one or more definitive Notes, (iii) both or (iv) a single Unified Global Note. Holders of Registered Notes represented by a global Note may apply for definitive Registered Notes in accordance with the limited circumstances set out in the relevant global Note. A copy of the global Note will be available for inspection at the office of the Agent and the relevant Registrar and, in the case of Notes listed on the Luxembourg Stock Exchange, the Transfer Agent in Luxembourg.

(d) *Uncertificated SIS Notes*

In the case of Uncertificated SIS Notes, such Notes will be (i) issued by UBS Head Office as uncertificated securities (*Wertrechte*), which will be created by the Issuer by means of a registration in its register of uncertificated securities (*Wertrechtebuch*), and (ii) entered into the main register (*Hauptregister*) of SIS or such other intermediary in Switzerland recognised for such purposes by the SIX Swiss Exchange. Neither the Issuer nor any holder of an Uncertificated SIS Note will at any time have the right to effect or demand the conversion of such Uncertificated SIS Note into, or the delivery of, a Note in definitive or global form.

3. **TITLE**

- (a) Subject to the following sentence, title to Bearer Notes, Coupons and Receipts will pass by delivery. Transfers of Bearer SIS Notes documented by a Permanent Global Note deposited with SIS or such other intermediary recognised for such purposes by the SIX Swiss Exchange (which Bearer SIS Notes constitute intermediated securities (*Bucheffekten*) within the meaning of the Swiss Federal Intermediated Securities Act (*Bucheffektengesetz*) ("**Intermediated Securities**")) will only be effected by the entry of the transferred Bearer SIS Notes in a securities account of the transferee.
- (b) Title to Registered Notes will pass by registration in the register which is maintained by the relevant Registrar.
- (c) Transfers of Uncertificated SIS Notes deposited with SIS or such other intermediary recognised for such purposes by the SIX Swiss Exchange (which Uncertificated SIS Notes constitute Intermediated Securities) will only be effected by the entry of the transferred Uncertificated SIS Notes in a securities account of the transferee.
- (d) In relation to any Note, Coupon or Receipt (except as ordered by a court of competent jurisdiction or required by law), the relevant Noteholder, Couponholder or Talonholder shall be deemed to be, and the Issuer, Registrars and Paying Agents shall be entitled to treat the relevant Noteholder, Couponholder and Talonholder as, the absolute owner of the relevant Note, Coupon or Receipt for all purposes whether or not the relevant Note, Coupon or Talon is overdue and notwithstanding any notice of ownership, theft or loss of, or any writing on, the relevant Note, Coupon or Receipt. In addition, in relation to any Note, Coupon or Receipt, no one shall be required to obtain any proof of (i) ownership of the relevant Note, Coupon or Receipt or (ii) the identity of the relevant Noteholder, Couponholder or Receiptholder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **TRANSFER OF REGISTERED NOTES**

- (a) A Registered Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (**provided that** such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms, Drawdown

Prospectus or Pricing Supplement) upon the surrender of the Registered Note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the relevant Registrar or any Transfer Agent. A new Registered Note will be issued to the transferee and, in the case of a transfer of part only of a Registered Note, a new Registered Note in respect of the balance not transferred will be issued to the transferor.

- (b) Each new Registered Note to be issued upon the transfer of Registered Notes will, upon the effective receipt of such form of transfer by the relevant Registrar at its specified office, be available for delivery at the specified office of the relevant Registrar or any Transfer Agent. For these purposes, a form of transfer received by the relevant Registrar or any Transfer Agent during the period of fifteen London Banking Days or, as the case may be, Relevant Banking Days ending on the due date for any payment on the relevant Registered Notes shall be deemed not to be effectively received by the relevant Registrar or any Transfer Agent until the day following the due date for such payment. For the purposes of these Terms and Conditions, "**Relevant Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the relevant Registrar or any Transfer Agent is located.
- (c) The issue of new Registered Notes on transfer will be effected without charge by or on behalf of the Issuer or the relevant Registrar or any Transfer Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the relevant Registrar or Transfer Agent may require in respect of) any tax or other governmental charges which may be imposed in relation thereto.
- (d) For so long as any of the Registered Notes remain outstanding and are "**restricted securities**" within the meaning of Rule 144(a)(3) under the United States Securities Act of 1933, as amended (the "**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) under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting under the Exchange Act 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 specified in Rule 144A(d)(4) under the Securities Act.
- (e) Registered Notes will, if so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, be the subject of an application by the Issuer to DTC for the acceptance of such Registered Notes into DTC's book-entry settlement system. If such application is accepted, one or more registered Notes (each a "**DTC Note**") in denominations equivalent in aggregate to the aggregate principal amount of relevant Registered Notes which are to be held in such system will be issued to DTC and registered in the name of Cede & Co., or such other person as may be nominated by DTC for the purpose, as nominee for DTC, **provided that** no DTC Note may have a denomination of more than US\$500,000,000 and that, subject to such restriction, DTC Notes will always be issued in the largest possible denomination. Thereafter, such registered nominee will be the holder of record and entitled to rights in respect of each DTC Note.

Accordingly, each person having a beneficial interest in a DTC Note must rely on the procedures of the institutions having accounts with DTC to exercise any rights of such person. So long as Registered Notes are traded through DTC's book-entry settlement system, ownership of a beneficial interest in the relevant DTC Note will (unless otherwise required by applicable law or regulatory requirement) be shown on, and transfers of such beneficial interest may be effected only through, records maintained by (i) DTC or its registered nominee (as to participant-interests) or (ii) institutions having accounts with DTC.

- (f) In the case of transfers to a person who takes delivery in the form of Notes represented by a Unified Global Note, from a holder of Notes represented by that Unified Global Note within the period when the Notes represented by a Unified Global Note are not "freely tradable" as defined below, upon (x) with respect only to transfers pursuant to Rule 144A, delivery of a duly executed investor representation letter from the relevant transferee substantially in the form of Schedule 3 (*Form of Transfer Certificate*) to the Agency Agreement and (y) certification (in the form available from any Paying Agent) to the Registrar by the transferor thereof that such transfer is

being made either (x) to a person whom the transferor reasonably believes is a "qualified institutional buyer" who is acquiring such Notes in a transaction meeting the requirements of Rule 144A under the Securities Act or (y) to a non-U.S. person in an offshore transaction pursuant to Regulation S under the Securities Act.

For purposes of these Conditions, a "**freely tradable**" share or debt security shall mean a share or a debt security which is registered under the Securities Act or not restricted under the Securities Act and which is not purchased from the issuer of such share or debt security and not purchased from an affiliate of the issuer of such share or debt security or which otherwise meets the requirements of a freely tradable share or debt security for purposes of the Securities Act, in each case as determined by the Calculation Agent in its sole and absolute discretion. In relation to a Note, "**freely tradable**" will be construed in accordance with Section 4(a)(1) of the Securities Act.

5. **STATUS OF THE NOTES**

(a) *In the case of Senior Notes*

If the Notes are specified as senior Notes ("**Senior Notes**") in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, the Notes and the relevant Receipts and Coupons are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other outstanding unsecured and unsubordinated obligations of the Issuer.

(b) *In the case of Subordinated Notes*

(i) Subordinated Notes issued by the Issuer acting through its UBS AG London Branch, UBS AG Jersey Branch or UBS Head Office:

If the Notes are specified as subordinated Notes ("**Subordinated Notes**"), the Subordinated Notes constitute unsecured obligations of the Issuer acting through its UBS AG London Branch, UBS AG Jersey Branch or UBS Head Office, as the case may be and rank *pari passu* without any preference among themselves. The Subordinated Notes constitute subordinated debt obligations and rank *pari passu* with all other subordinated debt obligations of the Issuer other than subordinated debt obligations which rank below the Notes. Accordingly, payments of principal and interest are conditional upon the Issuer being solvent at the time of payment by the Issuer and no principal or interest shall be payable in respect of the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purpose of this Condition 5(b), the Issuer shall be solvent if (i) it is able to pay its debts as they fall due and (ii) its Assets exceed its Liabilities (in each case as defined below) (other than its Liabilities which are not Senior Claims).

For the purposes of these Conditions, "**Senior Claims**" means the aggregate amount of all claims in respect of the deposit liabilities of the Issuer and all other liabilities of the Issuer (including all deposit liabilities and other liabilities of UBS Head Office, the Branches and all other branches and offices of the Issuer wherever located), except those liabilities which by their terms rank *pari passu* with or are subordinated to the Notes; "**Assets**" means the non-consolidated total assets of the Issuer and "**Liabilities**" means the nonconsolidated total liabilities of the Issuer, all as shown by the latest published audited balance sheet of the Issuer but adjusted for contingencies and for subsequent events.

Subject to applicable law, no Noteholder may exercise or claim any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer, arising under or in connection with the Notes and each Noteholder shall, by virtue of his subscription, purchase or holding of any Note, be deemed to have waived all such rights of set-off, compensation or retention.

- (ii) Subordinated Notes issued by the Issuer acting through a Branch (other than any Branch referred to in paragraph (i) of this Condition 5(b)):

Where Subordinated Notes are to be issued by the Issuer acting through a Branch (other than UBS AG London Branch or UBS AG Jersey Branch), the provisions dealing with subordination will be included in the relevant Pricing Supplement or the Drawdown Prospectus (as the case may be).

6. INTEREST

(a) *Interest - Fixed Rate*

If the Interest Basis specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement is "Fixed", then the Notes shall bear interest from and including the Issue Date or, if different, the Interest Commencement Date specified in such Final Terms, Drawdown Prospectus or Pricing Supplement at the Rate of Interest specified in such Final Terms, Drawdown Prospectus or Pricing Supplement. Interest will be payable in arrear on the Interest Payment Dates specified in the Final Terms, Drawdown Prospectus or Pricing Supplement and on the Maturity Date specified in such Final Terms, Drawdown Prospectus or Pricing Supplement. Interest will be calculated on the Day Count Fraction specified in such Final Terms, Drawdown Prospectus or Pricing Supplement.

Except as provided in the applicable Final Terms, Drawdown Prospectus or Pricing Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, Drawdown Prospectus or Pricing Supplement, amount to the Broken Amount so specified.

If interest is required to be calculated for a period ending other than on an Interest Payment Date or if otherwise specified in the relevant Drawdown Prospectus or Pricing Supplement, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the applicable Day Count Fraction, rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount.

For the purposes of these Conditions, "**sub-unit**" with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest - Floating Rate and Index-Linked Interest*

- (i) In relation to (a) Floating Rate Notes, the relevant Final Terms, Drawdown Prospectus or Pricing Supplement or (b) Index-Linked Interest Notes, the relevant Pricing Supplement, will specify the Interest Basis.
- (ii) If the Interest Basis specified in the Final Terms, Drawdown Prospectus or Pricing Supplement is "Floating" then the Notes shall bear interest from the Interest Commencement Date specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.
- (iii) The Calculation Agent will calculate the rate of interest which will apply to the Notes for each Interest Period (the "**Rate of Interest**") in accordance with the following terms, unless otherwise specified in the relevant Pricing Supplement or Drawdown Prospectus.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate

plus or minus (as indicated in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (A), "**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (1) the Floating Rate Option is as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement;
- (2) the Designated Maturity is a period specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) 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 which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR, Sydney time in the case of BBSW, Toronto time in the case of CDOR, Hong Kong time in the case of HIBOR, Tokyo time in the case of JPY TSR, Oslo time in case of NIBOR, Shanghai time in case of SHIBOR, Stockholm time in case of STIBOR, Singapore time in case of SOR or New York time in case of the U.S. Federal Funds Rate) on the Interest Determination Date in question plus or minus (as indicated in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) the Margin (if any), all as determined by the Agent or such other person specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement. 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 Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

- (iv) The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(v) *Index-Linked Interest*

If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.

- (vi) The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the principal amount of the smallest or minimum denomination of such Notes specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the currency in which such Notes are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount.

(c) *Notification of Rates of Interest, Interest Amounts and Interest Payment Dates*

- (i) The Calculation Agent will cause each Rate of Interest, Interest Payment Date, Interest Amount or floating amount, and such other information as may be determined by it, to be notified to the Paying Agents and, in the case of Registered Notes, the relevant Registrar and the Transfer Agents (from whose respective specified offices such information will be available) as soon as practicable after such determination but in any event not later than the fourth London Banking Day after the Interest Determination Date and, in the case of Notes admitted to the Luxembourg Stock Exchange's regulated market, the Euro MTF Market of the Luxembourg Stock Exchange or the Irish Stock Exchange's Main Securities Market or Global Exchange Market, cause each such Rate of Interest, Interest Amount and such other information as the case may be, to be notified to the Luxembourg Stock Exchange or Irish Stock Exchange no later than the first day of the relevant Interest Period. The Calculation Agent will be entitled to amend any Rate of Interest, Interest Amount, Interest Payment Date or other information (or to make appropriate alternative arrangements by way of adjustment) without notice in the event of the extension or abbreviation of the relevant Interest Period or calculation period. Notice of any amendment will be given in accordance with this Condition.
- (ii) All determinations made by the Calculation Agent for the purposes of this Condition shall, in the absence of manifest error, be final and binding on all parties.

(d) *Dual Currency Notes*

In the case of Dual Currency Notes, subject to compliance with all relevant legal and regulatory requirements, if the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement or Drawdown Prospectus.

(e) *Partly Paid Notes*

In the case of partly paid Notes (other than partly paid Notes which are zero coupon Notes) interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as indicated in the relevant Pricing Supplement or Drawdown Prospectus.

7. **REDEMPTION AND PURCHASE**

(a) *Final Redemption*

Unless previously redeemed, or purchased and cancelled, Notes shall be redeemed by the Issuer at the Redemption Amount as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, or determined in the manner specified in the Pricing Supplement or Drawdown Prospectus on the Maturity Date or Dates specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement; **provided that**, in the case of Subordinated Notes, the redemption date may not fall earlier than five years and one day after the Issue Date.

(b) *Redemption for Taxation Reasons*

The Issuer may at any time redeem all of the Notes (but may not partially redeem the Notes) at their principal amount or the Tax Redemption Amount specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement (together in each case with accrued interest in the case of interest bearing Notes), on giving not less than 30 and not more than 45 days' (or such other period as may be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) notice to the Noteholders and the Agent (and in the case of Registered Notes, the relevant Registrar) of its intention to redeem the Notes in accordance with this Condition, if:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay Additional Amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 9 (*Taxation*) below) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts were a payment in respect of the Notes then due.

(c) *Redemption at the Option of the Issuer*

If the Issuer is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as having an option to redeem, the Issuer may, having given:

- (i) not less than 15 nor more than 35 days' (or such other period as may be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) notice to the Noteholders in accordance with this Condition; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Agent and the relevant Registrar, (which notices shall be irrevocable),

redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the relevant Final Terms, Drawdown Prospectus or Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date; **provided that**, in the case of Subordinated Notes, the Optional Redemption Date may not fall earlier than five years and one day after the Issue Date. Any such redemption must be of a nominal amount equal to the Minimum Redemption Amount or a Higher Redemption Amount each as indicated in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

(d) *The Appropriate Notice*

The notice referred to in paragraphs (b) and (c) of this Condition is a notice given by the Issuer to the Noteholders, the Agent and the relevant Registrar (in the case of Registered Notes), which shall be signed by two authorised signatories of the Issuer and shall specify the following details:

- (i) the Series of Notes subject to redemption;
- (ii) whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes of the relevant Series which are to be redeemed;
- (iii) the due date for such redemption, which shall be a Business Day; and
- (iv) the circumstances giving rise to the Issuer's entitlement to effect such redemption.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

(e) *Redemption at the Option of the Noteholders*

If the Noteholders are specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as having an option to redeem, upon the holder of any Note giving to the Issuer not less than 15 nor more than 30 days' (or such other period as may be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) notice prior to the relevant Optional Redemption Date or such other period of notice as is specified in the Final Terms, Drawdown Prospectus or Pricing Supplement the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the relevant Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, or determined in the manner specified in the Pricing Supplement or the Drawdown Prospectus, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date; **provided that**, in the case of Subordinated Notes, the Optional Redemption Date shall not fall earlier than five years and one day after the Issue Date.

If this Note is in definitive form, to exercise the right to require redemption of this Note, the holder of this Note must deliver such Note at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "**Put Notice**") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

If this Note is represented by a Permanent Global Note or Global Note Certificate the bearer of such Permanent Global Note or the holder of such Global Note Certificate must, within the notice period, give written notice of such exercise to the Agent specifying the principal amount of Notes in respect of which such option is exercised. Any such notice will be irrevocable and may not be withdrawn.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 11 (*Events of Default*).

(f) *Purchases*

The Issuer or any of its subsidiaries or affiliates may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

(g) *Instalment Notes*

If the Notes are repayable in instalments, they will be redeemed in the Instalment Amounts specified in the Pricing Supplement or the Drawdown Prospectus and on the Instalment Dates specified in the Pricing Supplement or the Drawdown Prospectus. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (i) below.

(h) *Cancellation*

All Notes redeemed in accordance with this Condition 7 shall be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption) and may not be reissued or resold.

(i) *Early Redemption Amounts*

For the purpose of paragraph (g) above and Condition 11 (*Events of Default*), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Redemption Amount equal to the Issue Price, at the Redemption Amount thereof; or

- (ii) in the case of index linked Notes, credit linked Notes or otherwise (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in the relevant, Drawdown Prospectus or Pricing Supplement, or determined in the manner specified in, the relevant Pricing Supplement or Drawdown Prospectus or, if no such amount or manner is so specified in the relevant Drawdown Prospectus or Pricing Supplement, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "**Amortised Face Amount**") equal to the sum of:
 - (A) the Reference Price specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement (the "**Reference Price**"); and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made on the basis of a 360-day year consisting of 12 months of 30 days each or such other calculation basis as may be specified in the relevant Drawdown Prospectus or Pricing Supplement.

(j) *Partial redemption*

If Notes are to be redeemed in part only on any date in accordance with Condition 7(c) (*Redemption at the Option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Agent approves and in such manner as the Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 7(c) (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date bears to the aggregate principal amount of outstanding Notes on such date. If any Higher Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount shall in no event be greater than the maximum or be less than the minimum so specified.

If any of the Notes to be redeemed in part only in accordance with Condition 7(c) (*Redemption at the Option of the Issuer*) are represented by a global Note, such global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with these Conditions and the Notes to be redeemed will not be selected as provided in these Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

8. PAYMENTS

(a) *Payments - Bearer Notes*

- (i) Payment of amounts (including accrued interest) due on the redemption of Bearer Notes will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents or to the order of any Paying Agents.

- (ii) Payment of amounts due in respect of interest on Bearer Notes will be made in accordance with the following provisions:
 - (A) In the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside the United States or its possessions and, in the case of a Temporary Global Note, upon due certification as required therein.
 - (B) In the case of definitive Bearer Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant definitive Bearer Notes at the specified office of any of the Paying Agents outside the United States or its possessions.
 - (C) In the case of definitive Bearer Notes delivered with Coupons attached thereto, against surrender of the relevant Coupons at the specified office of any of the Paying Agents outside the United States or its possessions.
- (iii) If the due date for payment of any amount due (whether in respect of principal, interest or otherwise) in respect of any Bearer Notes is not a Payment Business Day in the place of presentation, then the Noteholder will not be entitled to payment thereof until the next following such Payment Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions.
- (iv) As used in Condition 8(a)(iii), "**Payment Business Day**" means:
 - (A) if the currency of payment is euro, any day which is:
 - (1) a day on which the banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (2) a day on which the TARGET2 System is operating; or
 - (B) if the currency of payment is not euro, any day which is:
 - (1) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (2) a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment.
- (v) Each definitive Bearer Note initially delivered with Coupons attached thereto should be surrendered for final redemption together with all unmatured Coupons appertaining thereto, failing which:
 - (A) in the case of definitive Bearer Notes which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents outside the United States or its possessions at any time prior to the tenth anniversary of the due date of such final redemption or, if later, the fifth anniversary of the date of maturity of such Coupon; and
 - (B) in the case of definitive Bearer Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons relating to such definitive Bearer Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them.

- (vi) The receipt by the Principal Swiss Paying Agent of the due and punctual payment of funds in Swiss francs in Switzerland shall release the Issuer from its obligations under the Bearer SIS Notes (and the Receipts and Coupons appertaining to them) for the payment of principal and interest to the extent of such payment. Payment of principal and/or interest under Bearer SIS Notes (and any Receipts and Coupons appertaining to them) shall be payable in freely transferable Swiss francs without collection costs (in the case of Definitive Bearer SIS Notes) in Switzerland at the specified offices located in Switzerland of the Principal Swiss Paying Agent upon their surrender without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the holders of the Bearer SIS Notes (and any Coupons and Receipts appertaining to them) and without any certification, affidavit or the fulfilment of any other formality.

(b) *Payments - Registered Notes*

- (i) Payment of amounts (including accrued interest) due on the final redemption of Registered Notes will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Registered Notes at the specified office of the relevant Registrar or any Transfer Agent. If the due date for payment of the final redemption amount of Registered Notes is not a Business Day, the Holder thereof will not be entitled to payment thereof until the next following such Business Day and no further payment shall be due in respect of such delay save in the event that there is a subsequent failure to pay in accordance with these Terms and Conditions.
- (ii) Payment of amounts (whether principal, interest or otherwise) due in respect of Registered Notes will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the relevant Registrar as at close of business (local time) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Note is being held is open for business.
- (iii) Notwithstanding the provisions of Condition 8(b)(i), payments of interest in respect of Registered Notes will be made (i) in the case of a currency other than Renminbi, by a cheque drawn on a bank in the Relevant Financial Centre and posted to the address (as recorded in the register held by the relevant Registrar) of the Holder thereof (or, in the case of joint-Holders, the first named) on the Business Day immediately preceding the relevant date for payment unless at least four Business Days prior to such date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the relevant Registrar for payment to be made to a designated account, and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency.

(c) *Payments - Uncertificated SIS Notes*

The receipt by the Principal Swiss Paying Agent of the due and punctual payment of funds in Swiss francs in Switzerland shall release the Issuer from its obligations under the Uncertificated SIS Notes for the payment of principal and interest to the extent of such payment, except to the extent that there is a default in the subsequent payment thereof to the holders of the Notes. Payment of principal and/or interest under Uncertificated SIS Notes shall be payable in freely transferable Swiss francs without collection costs in Switzerland without any restrictions and whatever the circumstances may be, irrespective of nationality, domicile or residence of the holders of the Uncertificated SIS Notes and without any certification, affidavit or the fulfilment of any other formality.

(d) *Payments - General Provisions*

- (i) Payments of amounts due (whether in respect of principal, interest or otherwise) in respect of Notes will be made (i) in the case of a currency other than Renminbi, in the currency in which it is denominated by cheque drawn on, or by transfer to an account maintained by the payee with, a bank in the Relevant Financial Centre (or, if such

currency is euro, to any account to which euro may be credited or transferred), and (ii) in the case of Renminbi, by transfer to an account denominated in that currency and maintained by the payee with a bank in the Principal Financial Centre of that currency. Payments will be subject in all cases to any applicable issuing and paying or other laws and regulations.

- (ii) The Issuer reserves the right to vary or terminate the appointment of an Agent or any other Paying Agent or Transfer Agent, or any Registrar and to appoint additional or other Paying Agents or Transfer Agents, or another Registrar. The Issuer will at all times maintain (i) an Agent, (ii) a Registrar, (iii) a Paying Agent with a specified office in a European city (but outside the United Kingdom), and (iv) so long as any Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market, the Euro MTF Market of the Luxembourg Stock Exchange or Irish Stock Exchange's Main Securities Market, a Paying Agent and (in the case of Registered Notes) a Transfer Agent with a specified office in Luxembourg or Dublin, as the case may be. Any variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 nor less than 30 days' notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).
- (iii) In respect of SIS Notes, the Issuer will at all times maintain at least one Swiss paying agent having a specified office in Switzerland.

(e) *Consequences of a Renminbi Currency Event*

This Condition 8(e) shall apply where the relevant Final Terms, Drawdown Prospectus or Pricing Supplement specifies that this Condition 8(e) is applicable to the relevant issue of Renminbi Notes. For Renminbi Notes that are settled and deliverable in Hong Kong, if a Renminbi Currency Event has occurred and is continuing on any Relevant FX Date, the Calculation Agent may determine that one or more of the following will apply in its sole and absolute discretion:

- (i) the relevant payment or delivery obligation of the Issuer be postponed to 10 Business Days after the date on which the Renminbi Currency Event ceases to exist or, if that would not be commercially reasonable, as soon as commercially reasonable thereafter;
- (ii) that the Issuer's obligation to make a payment in Renminbi under the Notes be replaced by an obligation to pay such amount in US dollars (converted at the Alternate Settlement Rate determined by the Calculation Agent as of a time and date selected in good faith by the Calculation Agent); and
- (iii) by giving notice to the Noteholders in accordance with Condition 13 (*Notices*), the Issuer, in its sole and absolute discretion, may redeem all, but not some only, of the Notes, each Note being redeemed at its Early Redemption Amount, net of any breakage costs, losses or expenses incurred by the Issuer in terminating, settling or re-establishing any hedging or related trading positions entered into by it in connection with the Notes, all determined by the Issuer in its sole discretion ("**Break Costs**"). The Early Redemption Date will be stated in such notice to relevant Noteholders.

Upon the occurrence of a Renminbi Currency Event, the Issuer shall give notice, as soon as practicable, to the relevant Noteholders in accordance with Condition 13 (*Notices*) stating the occurrence of the Renminbi Currency Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

For the purposes of this Condition 8(e):

"**Alternate Settlement Rate**" means the spot rate between Renminbi and US dollars determined by the Calculation Agent, taking into consideration all available information which the Calculation Agent deems relevant (including, but not limited to, the pricing information obtained from the Renminbi non-deliverable market outside the PRC and/or the Renminbi exchange market inside the PRC).

"Early Redemption Amount" means an amount as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

"Governmental Authority" means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong and the PRC.

"Hong Kong" means the Hong Kong Special Administrative Region of the PRC.

"PRC" means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan.

"Relevant FX Date" means any Interest Payment Date, any redemption date, the Maturity Date or any other date as determined by the Calculation Agent as relevant in respect of any payment or delivery obligation of the Issuer under any Notes denominated in Renminbi.

"Renminbi" means the lawful currency of the PRC.

"Renminbi Currency Event" means the occurrence of any one of the following in the opinion of the Calculation Agent:

- (i) Renminbi Non-Transferability;
- (ii) Renminbi Inconvertibility; or
- (iii) Renminbi Illiquidity.

"Renminbi Illiquidity" means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which the Issuer and/or any of its affiliates cannot obtain sufficient Renminbi in order to make a payment or perform any other of its obligations under any Notes denominated in Renminbi, as determined by the Calculation Agent in good faith and in a commercially reasonable manner.

"Renminbi Inconvertibility" means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to convert any amount into or from Renminbi as may be required to be paid by the Issuer under any Notes denominated in Renminbi on any payment date or such other amount as may be determined by the Calculation Agent in its sole and absolute discretion at the general Renminbi exchange market in Hong Kong, other than where such impossibility, impracticability or illegality is due solely to the failure of the Issuer and/or any of its affiliates to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the trade date of any Note denominated in Renminbi and it is impossible, impracticable or illegal for the Issuer and/or any of its affiliates, due to an event beyond the control of the Issuer, to comply with such law, rule or regulation).

"Renminbi Non-Transferability" means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to deliver Renminbi between accounts inside Hong Kong, other than where such impossibility, impracticability or illegality is due solely to the failure of Issuer and/or any of its affiliates to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the trade date of any Note denominated in Renminbi and it is impossible, impracticable or illegal for the Issuer and/or any of its affiliates, due to an event beyond the control of the Issuer and/or any of its affiliates (as applicable), to comply with such law, rule or regulation).

(f) *Interpretation of Principal and Interest*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any Additional Amounts which may be payable with respect to principal under Condition 9 (*Taxation*);
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Instalment Notes, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount; and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable with respect to interest under Condition 9 (*Taxation*).

9. **TAXATION**

- (a) All sums payable by or on behalf of the Issuer pursuant to the Terms and Conditions of the Notes will 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 by or on behalf of a Relevant Jurisdiction (as defined below), or any authority thereof or therein having power to impose Taxes unless such withholding or deduction is required by law.
- (b) If the Issuer is required by law to deduct or withhold any Taxes imposed by or on behalf of a Relevant Jurisdiction then the Issuer will pay such additional amounts as will result in the Noteholders, the Couponholders or the Receiptholders receiving the amounts they would have received if no withholding or deduction of Taxes had been required ("**Additional Amounts**").
- (c) The Issuer will not be required to pay any Additional Amounts pursuant to Condition 9(b) in relation to a Note, Receipt or Coupon, (i) to a Noteholder, Receiptholder or Couponholder who is liable to such Taxes on the Note, Receipt or Coupon as a result of having some connection with the Relevant Jurisdiction other than its mere ownership or possession of the Note, Receipt or Coupon or the receipt of principal or interest in respect thereof, or (ii) which is presented for payment more than 30 days after the Relevant Date except to the extent that the Noteholder, Receiptholder or Couponholder would have been entitled to receive the Additional Amounts if it had presented the Note or Coupon for payment on the last day of the 30-day period, or (iii) where the Issuer is acting through UBS AG Australia Branch, to a Noteholder, Receiptholder or Couponholder (or any other entity which has an interest in a Note, Receipt or Coupon) who is liable to such taxes on the Note, Receipt or Coupon by reason of his being an Offshore Associate of the Issuer, other than one acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investments scheme within the meaning of the Corporations Act 2001 of Australia or (iv) (in the case of Registered Notes) where the Issuer is acting through UBS AG Australia Branch, to a Noteholder, Receiptholder or Couponholder (or any other entity which has an interest in a Note, Receipt or Coupon) who is an Australian resident or non-resident holder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if that person has not supplied an appropriate tax file number, Australian business number (if applicable), or details of an applicable exemption from these requirements, or (v) where the Issuer is acting

through UBS AG Australia Branch, where such withholding or deduction is required to be made pursuant to a notice or direction issued by the Commissioner of Taxation under section 255 of the Australian Tax Act or section 260-5 of Schedule 1 to the Taxation Administration Act 1953 of Australia or any similar law, or (vi) where the Issuer is acting through UBS Head Office and payments which qualify as interest for Swiss withholding tax purposes are subject to Swiss withholding tax according to Swiss Federal Withholding Tax Law of 13 October 1965, or (vii) where such withholding or deduction is imposed on a payment and 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 proposed by the Swiss Federal Council on 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 (viii) in such other circumstance as may be specified in the Drawdown Prospectus or Pricing Supplement.

- (i) **"Offshore Associate"** means an associate (as defined in section 128F(9) of the Australian Tax Act) that is either:
 - (a) a non-resident of Australia which does not acquire the Notes in carrying on a business at or through a permanent establishment in Australia; or
 - (b) a resident of Australia that acquires the Notes in carrying on a business at or through a permanent establishment outside Australia.
- (ii) **"Australian Tax Act"** means the Income Tax Assessment Act 1936 of Australia and where applicable any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia.
- (iii) **"Relevant Date"** means the date on which the payment first becomes due. If the full amount of the moneys payable on the due date has not been received by the Agent on or before the due date, then **"Relevant Date"** means the date on which notice to the effect that the full amount of the money due has been received by the Agent is published in accordance with the Terms and Conditions of the Notes.
- (iv) **"Relevant Jurisdiction"** means (i) United Kingdom and Switzerland, where the Issuer is acting through UBS AG London Branch, (ii) Jersey and Switzerland, where the Issuer is acting through UBS AG Jersey Branch, (iii) Australia and Switzerland, where the Issuer is acting through UBS AG Australia Branch, (iv) Hong Kong and Switzerland, where the Issuer is acting through UBS AG Hong Kong Branch, (v) Switzerland, where the Issuer is UBS Head Office, (vi) the jurisdiction of establishment of the relevant Branch and Switzerland where the Issuer is acting through a Branch other than UBS AG London Branch, UBS AG Jersey Branch, UBS AG Australia Branch or UBS AG Hong Kong Branch and (vii) any other jurisdiction imposing withholding or deduction on the payments in question as a result of the Issuer being considered to be resident or doing business in such jurisdiction for tax purposes.
- (d) Any reference in the Terms and Conditions of the Notes to amounts payable by the Issuer pursuant to the Terms and Conditions 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.
- (e) Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of Section 871(m) of the U.S. Internal Revenue Code (the **"Code"**) or any amended or successor provisions (relating to withholding or dividend equivalents) or Sections 1471 through 1474 of the Code, or any amended or successor provisions, pursuant to any inter-governmental agreement or

implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the U.S. Internal Revenue Service ("FATCA withholding") as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such withholding deducted or withheld by the Issuer, the paying agent or any other party.

10. **PRESCRIPTION**

- (a) Bearer Notes will become void unless presented for payment within a period of ten years from the Relevant Date. Coupons will become void unless presented for payment within five years of the Relevant Date.
- (b) The rights of holders of Registered Notes to make claims against the Issuer for payments of principal will become void ten years after the Relevant Date. The rights of holders of Registered Notes to make claims against the Issuer for payments other than for payments of principal will become void five years after the Relevant Date.

11. **EVENTS OF DEFAULT**

(a) *In the case of Senior Notes*

The following events shall constitute an "**Event of Default**" for the purposes of Senior Notes:

- (i) there is a default for more than 30 days in the payment of any principal or interest due in respect of the Notes; or
- (ii) there is a default in the performance by the Issuer of any other obligation under the Notes and such default continues for a period of 60 days after written notice of such default has been given by any Noteholder to the Issuer; or
- (iii) any order shall be made by any competent court or other authority or resolution passed by the Issuer for the dissolution or winding-up of the Issuer or for the appointment of a liquidator, receiver, administrator or manager of the Issuer or of all or a substantial part of their respective assets, or anything analogous occurs, in any jurisdiction, to the Issuer, other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger; or
- (iv) the Issuer shall stop payment or shall be unable to, or shall admit to creditors generally its inability to, pay its debts as they fall due, or shall be adjudicated or found bankrupt or insolvent, or shall enter into any composition or other arrangements with its creditors generally.

If an Event of Default in relation to Senior Notes shall have occurred and be continuing, Noteholders holding at least 25 per cent. in aggregate principal amount of the outstanding Notes may, by notice in writing giving to the Agent at its specified office, declare all the Notes immediately due and payable, whereupon they will become immediately due and payable at the Early Redemption Amount (as described in Condition 7(i)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind unless such Event of Default has been remedied prior to the receipt of such notice by the Agent, and the Agent has actual knowledge of such remedy.

(b) *In the case of Subordinated Notes*

The following events shall constitute an "**Event of Default**" for the purposes of the Subordinated Notes:

- (i) there is a default for more than 30 days in the payment of any principal or interest due in respect of the Notes; or

- (ii) there is a default in the performance by the Issuer of any other obligation under the Notes which is incapable of remedy or which, being a default capable of remedy, continues for 60 days after written notice of such default has been given by any Noteholder to the Issuer; or
- (iii) an order is made in Switzerland or, in the case of Subordinated Notes issued by the Issuer acting through a Branch, the country where the relevant Branch is located by any competent court or other authority for the dissolution, administration or winding-up of the Issuer (other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger) or for the appointment of a liquidator, provisional liquidator, receiver, administrator or manager of the Issuer or of all or a substantial part of its assets, or the Issuer shall be adjudicated or found bankrupt or insolvent, or anything analogous occurs to the Issuer; or
- (iv) the Issuer stops payment, or is unable to, or admits to creditors generally an inability to, pay its debts as they fall due, or passes a resolution for the dissolution, administration or winding-up of the Issuer, or shall enter into any composition or other arrangements with its creditors generally, other than in connection with a solvent reorganisation, reconstruction, amalgamation or merger.

If an Event of Default in relation to Subordinated Notes shall have occurred and be continuing, any Noteholder may, at such Noteholder's option, declare the Note held by the Noteholder to be forthwith (subject always to Condition 5(b) above) due and payable at the Early Redemption Amount (as described in Condition 7(i)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind by written notice to the Issuer and the Agent at its specified office.

12. **REPLACEMENT**

If any Note, Coupon, Receipt or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, security and indemnity as the Issuer may require. Mutilated or defaced Notes, Coupons, Receipts or Talons must be surrendered before replacements will be issued.

13. **NOTICES**

(a) *Bearer Notes*

In relation to Bearer Notes (other than Bearer SIS Notes), notices to Noteholders will, save where another means of effective communication has been specified in the Drawdown Prospectus or Pricing Supplement, be deemed to be validly given if (i) published in one leading English language daily newspaper with circulation in London or, if this is not possible, in one other leading English language daily newspaper with circulation in Europe which, so long as Notes are listed on the Luxembourg Stock Exchange's regulated market or the Euro MTF Market of the Luxembourg Stock Exchange (so long as such Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require), in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu).

(b) *Registered Notes*

In relation to Registered Notes, notices to Noteholders will be deemed to be validly given if sent by first class mail to Noteholders (or, in the case of joint Noteholders, to the first-named in the register kept by the relevant Registrar) at the respective addresses as recorded in the register kept by the relevant Registrar, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing. With respect to Registered Notes listed on the Luxembourg Stock Exchange, any notices to Noteholders must also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and, in addition to the foregoing will be deemed validly given only after the date of such publication.

If any of the Notes are represented by a global note which is held by a depositary on behalf of Euroclear or Clearstream Luxembourg or both and/or a nominee on behalf of DTC and/or any other relevant clearing system or a common safekeeper then in relation to such Notes, notice may be given to the Noteholders by being delivered to Euroclear and Clearstream Luxembourg, DTC and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein (**provided that**, in the case of Notes which are listed on the Luxembourg Stock Exchange's regulated market or the Euro MTF Market of the Luxembourg Stock Exchange (so long as such Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require), a notice is published in a daily newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*) or published on the website of the Luxembourg Stock Exchange (www.bourse.lu). Any notice shall be deemed to have been given on the date of such publication or, if so published more than once, on the date of first publication. If publication is not practicable in any such newspaper, notice will be validly given if made in such other manner, and shall be deemed to have been given on such date as the Agent may approve.

(c) *SIS Notes*

For SIS Notes listed on the SIX Swiss Exchange, notices to Noteholders will be deemed to have been given if published by the Principal Swiss Paying Agent at the expense of the Issuer, (i) by means of electronic publication on the internet website of the SIX Swiss Exchange (www.six-swiss-exchange.com), where notices are currently published under the address 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 so given shall 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.

For SIS Notes that are not listed on the SIX Swiss Exchange, notices to Noteholders shall be given by communication through the Principal Swiss Paying Agent to SIS (or such other intermediary) for forwarding to the holders of the Notes. Any notice so given shall be deemed to be validly given with the communication to SIS (or such other intermediary).

14. **MEETINGS OF NOTEHOLDERS AND MODIFICATIONS OF TERMS AND CONDITIONS; SUBSTITUTION**

- (a) The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matters affecting their interests, including modification of the Notes and any provisions of the Agency Agreement applicable to the Notes. Any such modification must be authorised by an extraordinary resolution of the Noteholders (an "**Extraordinary Resolution**", which means a resolution passed by a majority consisting of not less than 75 per cent. of the votes cast thereon). The quorum at any meeting will be two or more persons present in person holding or representing a clear majority in principal amount of the Notes for the time being outstanding, and at any adjourned meeting two or more persons being or representing holders of the Notes whatever the principal amount of Notes so held or represented **provided that** at any such meeting, the business of which includes the modification of certain of these Terms and Conditions, the necessary quorum for passing an Extraordinary Resolution is two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, one or more persons holding or representing a clear majority, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution duly passed at a meeting will be binding on all the Noteholders (whether present at the meeting or not) and on all the Receiptholders and Couponholders.
- (b) The Notes and the terms and conditions of the Notes may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree without the consent of the Noteholders, Receiptholders or the Couponholders to any modification to the Agency Agreement which, in the reasonable opinion of such parties, is not materially prejudicial to the interest of the Noteholders or the Couponholders or which is of a formal, minor or technical nature or to any modification which is necessary, to correct a manifest error.

- (c) Article 1157 et seq. of the Swiss Code of Obligations includes mandatory provisions on bondholder meetings which may apply instead of the provisions described in clause (a) above in relation to meetings of holders of Notes issued by the Issuer.
- (d) The Issuer may, at its option and having given no more than 30 nor less than 10 days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable) and provided that no payment in respect of any such Series is overdue designate, without the consent of any Noteholder, an Affiliate (the "**Substitute Entity**") to assume in place of the Issuer or any previous Substitute Entity (the "**Current Entity**") liability for the due and punctual payment of all payments on all Notes then outstanding in the relevant Series and the performance of all the Issuer's other obligations under all the Notes then outstanding in the relevant Series, the Issue and Paying Agency Agreement and the Deed of Covenant.

As used herein (i) "**Affiliate**" means any entity controlled, directly or indirectly, by the Issuer, any entity that controls the Issuer, directly or indirectly, or any entity under common control with the Issuer, and (ii) "**control**" of the Issuer or any entity means ownership of a majority of the voting power of the Issuer or such entity.

- (e) Upon any designation of a Substitute Entity pursuant to paragraph (d) above, the Substitute Entity shall succeed to the rights and obligations of the Current Entity under the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant and the Current Entity shall be released from its liability on the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant. Such assumptions shall be permitted only if the Substitute Entity and the Current Entity enter into a deed poll (the "**Deed Poll**") whereby (i) the Substitute Entity assumes the obligations of the Current Entity (or any previous substitute) under the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant, (ii) the Substitute Entity and the Current Entity agree to indemnify each Noteholder and, if appropriate, each Accountholder (as defined in the Deed of Covenant) against (A) any tax, duty, fee or governmental charge imposed on or relating to the act of assumption and (B) any costs or expenses of the act of assumption and (iii) the Substitute Entity and the Current Entity shall warrant that all necessary governmental approvals and consents for the assumption by the Substitute Entity of its obligations have been obtained and are in full force and the obligations of the Substitute Entity under the Notes, the Deed of Covenant, the Issue and Paying Agency Agreement and the Deed are legal, valid, binding and enforceable against the Substitute Entity, provided that no substitution shall take place pursuant to this Condition 14 unless (v) the Issuer shall have obtained legal opinions containing no untoward qualifications from independent legal advisers in the respective countries in which the Substitute Entity and the Current Entity are incorporated, in Switzerland (in the case of SIS Notes) and in England to the effect that the obligations of the Substitute Entity are its legal, valid and binding obligations, and that all consents and approvals as aforesaid have been obtained, (w) any credit rating agency currently rating the Series of Notes has confirmed in writing to the Current Entity that assumption by the Substitute Entity will not result in a downgrading of the then current credit rating of such rating agency applicable to the class of debt represented by the Notes, (x) 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 Entity, the Notes will continue to be admitted to listing and/or trading by the relevant competent listing authority and/or stock exchange, (y) in the case of a Substitute Entity not incorporated under the laws of England or Wales, the Substitute Entity has appointed a process agent as its agent in England and Wales to receive service of process on its behalf in relation to any legal proceedings arising out of or in connection with the Notes and (z) the Substitute Entity would not, on the occasion of the next payment due under the Notes, be required to pay any Additional Amounts under these Terms and Conditions of the Notes after giving effect to such substitution that the Current Entity would not have been required to pay immediately prior to such substitution, as determined by the Issuer at the time of sending the relevant notice to Noteholders pursuant to paragraph (d) above.
- (f) Not less than 10 nor more than 30 days prior to the effective date of any assumption by a Substitute Entity pursuant to paragraph (e) above, the Issuer shall procure the notification to the Noteholders, in accordance with Condition 13 (*Notices*), of the assumption and stating that copies, or pending execution thereof final drafts, of the Deed Poll and other relevant documents and of the legal opinions are available for inspection by the Noteholders at the specified offices

of the Agent and the Registrar. The originals of the Deed Poll and other documents will be delivered to the Agent to hold until there are no claims outstanding in respect of the Notes, the Deed of Covenant, the Issue and Paying Agency Agreement or the Deed Poll. The Substitute Entity and the Current Entity shall in the Deed Poll acknowledge the right of every Noteholder of any Note or, as the case may be, every Accountholder to inspect such documents at the offices of the Agent.

- (g) Upon any assumption pursuant to paragraph (e) above becoming effective, references in these Conditions to the Relevant Jurisdiction being the jurisdiction of establishment of the Current Entity and Switzerland and any other jurisdiction imposing withholding or deduction on the payments in question as a result of the Issuer being considered to be resident or doing business in such jurisdiction for tax purposes, shall be read and construed as including the jurisdiction of establishment of the Substitute Entity instead of or in addition to (as the case may be) references to the jurisdiction of establishment of the Current Entity and Switzerland and any other jurisdiction imposing withholding or deduction on the payments in question as a result of the Issuer being considered to be resident or doing business in such jurisdiction for tax purposes.
- (h) Prior to any assumption pursuant to paragraph (e) above, the Issuer may, without the consent of the Noteholders, upon giving no more than 30 and no less than 10 days' notice to the Noteholders in accordance with Condition 13 (*Notices*), at any time, (i) cease to make payments of principal, interest and any other amounts due under all Notes then outstanding in the relevant Series and fulfil any of its other obligations and exercise any of its other rights and powers in respect of, or arising under, all Notes then outstanding in the relevant Series through the Branch or the UBS Head Office, as applicable, through which it is acting at the time of the relevant notice, and (ii) commence making such payments, fulfilling such other obligations and exercising such powers and rights through another Branch or the UBS Head Office (if the Issuer was not acting through UBS Head Office at the time of the relevant notice) as designated in the relevant notice (an "**Issuing Branch Substitution**"), provided that, as of the time of giving the relevant notice, (A) the Issuer is not in default in respect of any amount payable under any Note in the relevant Series, and (B) the Issuer would not be required to pay any Additional Amounts under these Terms and Conditions of the Notes after giving effect to such Issuing Branch Substitution that it would not have been required to pay if such Issuing Branch Substitution were not to occur.
- (i) Upon any Issuing Branch Substitution pursuant to which the Issuer was not acting through the UBS Head Office immediately prior thereto, references in these Conditions to the Relevant Jurisdiction being the jurisdiction of establishment of the Branch through which the Issuer was acting immediately prior to such Issuing Branch Substitution, shall be read and construed as references to (x) the jurisdiction of establishment of the Branch through which the Issuer is acting immediately after giving effect to such Issuing Branch Substitution or (y) if the Issuer is acting through the UBS Head Office immediately after giving effect to such Issuing Branch Substitution, Switzerland, in each case, instead of references to the jurisdiction of establishment of the Branch through which the Issuer was acting immediately prior to such Issuing Branch Substitution.
- (j) Upon any Issuing Branch Substitution pursuant to which the Issuer was acting through the UBS Head Office immediately prior thereto, references in these Conditions to the Relevant Jurisdiction shall be read and construed as to include references to the jurisdiction of establishment of the Branch through which the Issuer is acting immediately after giving effect to such Issuing Branch Substitution in addition to Switzerland.

15. **FURTHER ISSUES**

The Issuer may from time to time without the consent of the Noteholders, Receiptholders or the Couponholders create and issue further notes and, **provided that** such further notes have the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them), the further notes shall be consolidated and form a single series with the Notes. In such circumstances, references in these Conditions to "**Notes**" include (unless the context requires otherwise) any other notes issued pursuant to this Condition and forming a single series with the Notes.

16. **GOVERNING LAW AND JURISDICTION**

- (a) The Agency Agreement and the Notes (other than SIS Notes) and any related Coupons and Talons and all non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes (other than SIS Notes) and any related Coupons and Talons are governed by English law, except for, in the case of Subordinated Notes, Condition 5(b) (*Status of the Notes - In the case of Subordinated Notes*), which are governed by Swiss law. SIS Notes shall be governed by Swiss law.
- (b) The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes, the Coupons or the Talons (including a dispute relating to the existence, validity or termination of the Notes, the Coupons or the Talons or any non-contractual obligation arising out of or in connection with the Notes, the Coupons or the Talons) or the consequences of the nullity of the Notes, the Coupons or the Talons and accordingly any legal action or proceedings arising out of or in connection with the Notes, the Coupons or the Talons ("**Proceedings**") may be brought in such courts, provided that the courts of the Canton of Zurich (venue being the City of Zurich) shall have jurisdiction in relation to disputes which may arise out of or in connection with any SIS Notes. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Noteholders, the Couponholders and the Talonholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) The Issuer agrees that, except in relation to SIS Notes, the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to it at 5 Broadgate London EC2M 2QS UK or at any other address of the Issuer in England at which service of process may be served on it in accordance with the Companies Act 2006. Nothing herein shall affect the right to serve process in any other manner permitted by law.

USE OF PROCEEDS

The net proceeds of the issue of each Series or Tranche of Notes issued by the Issuer acting through any Branch will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS AG Group, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland. The net proceeds of the issue of each Series or Tranche of Notes issued by UBS Head Office will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS AG Group.

DESCRIPTION OF UBS AG

1. Overview

UBS AG with its subsidiaries (together, "**UBS AG (consolidated)**", or "**UBS AG Group**"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "**UBS Group**", "**Group**", "**UBS**" or "**UBS Group AG (consolidated)**") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and five business divisions: Wealth Management, Wealth Management Americas, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy is centered on its leading wealth management businesses 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 March 2017, UBS Group's common equity tier 1 ("**CET1**") capital ratio¹ was 14.1 per cent. on a fully applied basis and 15.6 per cent. on a phase-in basis and the CET1 leverage ratio was 3.6 per cent. on a fully applied basis and 3.9 per cent. on a phase-in basis, the gone concern loss-absorbing capacity ratio was 15.0 per cent. on a fully applied basis and 11.1 per cent. on a phase-in basis, and the gone concern leverage ratio was 3.8 per cent. on a fully applied basis and 2.8 per cent. on a phase-in basis. On the same date, invested assets stood at CHF 2,934 billion, equity attributable to UBS Group AG shareholders was CHF 53,661 million and market capitalisation was CHF 61,736 million. On the same date, UBS employed 59,416 people².

On 31 March 2017, UBS AG (consolidated) CET1 capital ratio⁴ was 14.9 per cent. on a fully applied basis and 16.4 per cent. on a phase-in basis and the CET1 leverage ratio was 3.8 per cent. on a fully applied basis and 4.1 per cent. on a phase-in basis, the gone concern loss-absorbing capacity ratio was 15.4 per cent. on a fully applied basis and 11.6 per cent. on a phase-in basis, and the gone concern leverage ratio was 3.9 per cent. on a fully applied basis and 2.9 per cent. on a phase-in basis. On the same date, invested assets stood at CHF 2,934 billion and equity attributable to UBS AG shareholders was CHF 51,990 million. On the same date, UBS AG Group employed 55,972 people⁵.

The rating agencies Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**"), Moody's Investors Service Ltd. ("**Moody's**"), Fitch Ratings Limited ("**Fitch Ratings**"), and Scope Ratings AG ("**Scope Ratings**") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS 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 Fitch Ratings, Standard & Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ (outlook: stable) from Standard & Poor's, long-term senior debt rating of A1 (outlook: stable) from Moody's, long-term issuer default rating of A+ (outlook: stable) from Fitch Ratings and issuer credit-strength rating of A+ (outlook: positive) from Scope Ratings.

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

¹ Based on the Basel III framework as applicable to Swiss systemically relevant banks. The common equity tier 1 capital ratio is the ratio of common equity tier 1 capital to risk-weighted assets. The Basel III framework includes prudential filters for the calculation of capital. As these filters are being phased in between 2014 and 2018, their effects are gradually factored into the calculations of capital, RWA and capital ratios on a phase-in basis and are entirely reflected in the capital, RWA and capital ratios on a fully applied basis. For information as to how UBS Group AG (consolidated) and UBS AG (consolidated) common equity tier 1 capital is calculated, refer to the table "*Reconciliation IFRS equity to Swiss SRB common equity tier 1 capital*" in the "*Capital management*" sections respectively of the UBS Group First Quarter 2017 Report and UBS AG First Quarter 2017 Report, as defined herein.

² Full-time equivalents.

own investigations, studies and assumptions, as they deem appropriate. The ratings of UBS AG should be evaluated independently from similar ratings of other entities, and from the rating, if any, of its securities. 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. All the above-mentioned rating agencies are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011.

No profit forecasts or estimates are included in this Base Prospectus.

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

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

2. **Corporate Information**

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

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

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

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

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

3. **Business Overview**

3.1 **Organisational Structure of UBS AG**

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

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

In December 2014, UBS Group AG completed an exchange offer for the shares of UBS AG and became the holding company of the UBS Group. During 2015, UBS Group AG completed a

court procedure under the Swiss Stock Exchange and Securities Trading Act resulting in the cancellation of the shares of the remaining minority shareholders of UBS AG. As a result, UBS Group AG owns 100 per cent. of the outstanding shares of UBS AG.

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

In the second half of 2015, UBS transferred the ownership of the majority of its existing service subsidiaries outside the US to UBS Business Solutions AG. As of 1 January 2017, UBS completed the transfer of the shared service employees in the US to the US service company, UBS Business Solutions US LLC, a subsidiary of UBS AG. In the second quarter of 2017, UBS has begun the transfer of shared services functions in Switzerland and the UK from UBS AG to UBS Business Solutions AG. Following the transfer, UBS Business Solutions AG will charge other legal entities within the Group for services provided, including a markup on costs incurred. The transfer is not expected to materially affect the UBS Group AG consolidated financial statements. However, it is expected to decrease UBS AG consolidated and standalone operating profit before tax. The transfer is not expected to have a significant effect on RWA and the LRD of UBS Group AG consolidated, UBS AG consolidated and UBS AG standalone.

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

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

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments, including the anticipated exit of the United Kingdom from the European Union. Such changes may include the transfer of operating subsidiaries of UBS AG to become direct subsidiaries of UBS Group AG, further consolidation of operating subsidiaries in the EU and adjustments to the booking entity or location of products and services. These structural changes are being discussed on an ongoing basis with FINMA and other regulatory authorities and remain subject to a number of uncertainties that may affect their feasibility, scope or timing. Refer to *"Risk Factors - UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements and the Terms and Conditions do not contain any restrictions on the Issuer's or UBS's ability to restructure its business"* above.

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

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

UBS AG is the parent company of, and conducts a significant portion of its operations through, subsidiaries. As such, to a certain extent, it is dependent on certain of its subsidiaries.

3.2 Business Divisions and Corporate Center

UBS operates as a group with five business divisions (Wealth Management, Wealth Management Americas, 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 2016; 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 2016.

3.2.1. *Wealth Management*

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

3.2.2. *Wealth Management Americas*

Wealth Management Americas provides advice-based solutions through financial advisors who deliver a fully integrated set of products and services specifically designed to address the needs of their clients. Its business is primarily domestic US but includes Canada and international business booked in the US.

3.2.3. *Personal & Corporate Banking*

Personal & Corporate Banking provides comprehensive financial products and services to private, corporate and institutional clients in Switzerland and is among the leading players in the private and corporate loan market in Switzerland, with a well-collateralized and conservatively managed lending portfolio. Its business is a central element of UBS's universal bank delivery model in Switzerland. Personal & Corporate Banking works with the wealth management, investment bank and asset management businesses to ensure that clients receive the best products and solutions for their specific financial needs. Personal & Corporate Banking is also an important source of growth for 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.

3.2.4. *Asset Management*

Asset Management provides investment management products and services, platform solutions and advisory support to institutions, wholesale intermediaries and wealth management clients around the world, with an onshore presence in 22 countries. Asset Management's global investment capabilities include all major traditional and alternative asset classes.

3.2.5. *Investment Bank*

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

3.2.6. *Corporate Center*

Corporate Center is comprised of Services, Group Asset and Liability Management ("Group ALM") and Non-core and Legacy Portfolio. Services consists of the Group Chief Operating Officer area (Group Corporate Services, Group Operations, Group Sourcing, Group Technology),

Group Finance, Group Legal, Group Human Resources, Group Risk Control, Group Communications and Branding, Group Regulatory and 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 better matching assets and liabilities within the context of the Group's liquidity, funding and capital targets. 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 is comprised of the positions from businesses that were part of the Investment Bank prior to its restructuring 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 AG (consolidated) key figures

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2016, 2015 and 2014, except where indicated, from the Annual Report 2016, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2016 and comparative figures for the years ended 31 December 2015 and 2014. The selected consolidated financial information included in the table below for the quarters ended 31 March 2017 and 31 March 2016 was derived from the UBS AG first quarter 2017 report, published on 3 May 2017 ("**UBS AG First Quarter 2017 Report**"), which contains UBS AG interim consolidated financial statements (unaudited), as well as additional unaudited consolidated financial information, for the quarter ended 31 March 2017 and comparative figures for the quarter ended 31 March 2016.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and are stated in Swiss francs ("**CHF**"). Information for the years ended 31 December 2016, 2015 and 2014 which is indicated as being unaudited in the table below was included in the Annual Report 2016, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2016 and the UBS AG First Quarter 2017 Report are incorporated by reference herein. The section "Measurement of performance" of the Annual Report 2016 contains an explanation of the use of the information contained under the heading "Key performance indicators" in the table below and the definitions of each of these key performance indicators. Prospective investors should read the whole of this Base Prospectus and the documents incorporated by reference herein and should not rely solely on the summarised information set out below:

	As of or for the quarter ended		As of or for the year ended		
	31 March 2017	31 March 2016	31 December 2016	31 December 2015	31 December 2014
	<i>unaudited</i>		<i>audited, except where indicated</i>		
	<i>CHF million, except where indicated</i>				
Results					
Operating income.....	7,560	6,855	28,421	30,605	28,026
Operating expenses.....	5,919	5,876	24,352	25,198	25,557
Operating profit / (loss) before tax.....	1,641	979	4,069	5,407	2,469
Net profit / (loss) attributable to shareholders	1,231	713	3,207	6,235	3,502

	As of or for the quarter ended		As of or for the year ended		
	31 March 2017	31 March 2016	31 December 2016	31 December 2015	31 December 2014
	unaudited		audited, except where indicated		
	CHF million, except where indicated				
Key performance indicators					
Profitability					
Return on tangible equity (%) ¹	10.8	6.0	6.9*	13.5*	8.2*
Cost / income ratio (%) ²	78.3	85.7	85.6*	82.0*	90.9*
Growth					
Net profit growth (%) ³	72.7	(64.8)	(48.6)*	78.0*	10.4*
Net new money growth for combined wealth management businesses (%) ⁴	3.9	5.9	2.1*	2.2*	2.5*
Resources					
Common equity tier 1 capital ratio (fully applied, %) ^{5, 6}	14.9	14.9	14.5*	15.4*	14.2*
Going concern leverage ratio (fully applied, %) ^{7, 8}	4.2	-	4.2*	-	-
Additional information					
Profitability					
Return on equity (RoE) (%) ⁹	9.3	5.1	5.9*	11.7*	7.0*
Return on risk-weighted assets, gross (%) ¹⁰	13.6	13.0	13.2*	14.3*	12.6*
Return on leverage ratio denominator, gross (%) ¹¹	3.4	3.0	3.2*	-	-
Resources					
Total assets	910,924	968,158	935,353	943,256	1,062,327
Equity attributable to shareholders	51,990	55,660	53,662	55,248	52,108
Common equity tier 1 capital (fully applied) ⁶	33,137	32,118	32,447	32,042	30,805
Common equity tier 1 capital (phase-in) ⁶	36,629	38,762	39,474	41,516	44,090
Risk-weighted assets (fully applied) ⁶	222,207	214,973	223,232*	208,186*	217,158*
Common equity tier 1 capital ratio (phase-in, %) ^{5, 6}	16.4	17.8	17.5*	19.5*	19.9*
Going concern capital ratio (fully applied, %) ⁸	16.6	-	16.3*	-	-
Going concern capital ratio (phase-in, %) ⁸	21.2	-	22.6*	-	-
Gone concern loss-absorbing capacity ratio (fully applied, %) ⁸	15.4	-	13.3*	-	-
Leverage ratio denominator (fully applied) ¹²	882,670	907,277	870,942*	898,251*	999,124*
Common equity tier 1 leverage ratio (fully applied, %) ¹²	3.8	3.5	3.7*	3.6*	3.1*
Going concern leverage ratio (phase-in, %) ^{7, 8}	5.4	-	5.8*	-	-
Gone concern leverage ratio (fully applied, %) ⁸	3.9	-	3.4*	-	-
Other					
Invested assets (CHF billion) ¹³	2,934	2,618	2,821	2,689	2,734
Personnel (full-time equivalents)	55,972	58,053	56,208*	58,131*	60,155*

* unaudited

- ¹ Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets.
- ² Operating expenses / operating income before credit loss (expense) or recovery.
- ³ Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. Not meaningful and not included if either the reporting period or the comparison period is a loss period.
- ⁴ Net new money growth for combined wealth management businesses is calculated as the aggregate of the net new money for the period (annualized as applicable) of the business divisions Wealth Management and Wealth Management Americas / aggregate invested assets at the beginning of the period of the business divisions Wealth Management and Wealth Management Americas. Net new money and invested assets are each derived from the "Wealth Management" and "Wealth Management Americas" sections of the management report contained in the UBS Group First Quarter 2017 Report, under "UBS business divisions and Corporate Center", and in the Annual Report 2016, under "Financial and operating performance". Net new money growth for combined wealth management businesses is based on adjusted net new money, which excludes the negative effect on net new money in 2015 of CHF 9.9 billion in Wealth Management from UBS's balance sheet and capital optimization program.
- ⁵ Common equity tier 1 capital / risk-weighted assets.
- ⁶ Based on the Basel III framework as applicable for Swiss systemically relevant banks.
- ⁷ Total going concern capital / leverage ratio denominator.
- ⁸ Based on the revised Swiss SRB framework that became effective on 1 July 2016. Figures for prior periods are not available.
- ⁹ Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders.
- ¹⁰ Based on fully applied risk-weighted assets. Figures as of 31 December 2015 and 31 December 2014 were derived from the UBS Group 2016 Form 20-F and do not correspond to the figures contained in the UBS Group 2015 Form 20-F, which were calculated based on phase-in risk-weighted assets.
- ¹¹ Based on the fully applied leverage ratio denominator. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. For periods prior to 31 December 2015 the leverage ratio denominator is calculated in accordance with former Swiss SRB rules. Therefore the figures for the periods ended on 31 December 2015 and 31 December 2014 are not presented as they are not available on a fully comparable basis.
- ¹² Calculated in accordance with Swiss SRB rules. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. Figures for periods prior to 31 December 2015 are calculated in accordance with former Swiss SRB rules and are therefore not fully comparable.
- ¹³ Includes invested assets for Personal & Corporate Banking.

3.4.2. Regulatory and legal developments

FDF and FINMA consult on implementation of net stable funding ratio in Switzerland

In January 2017, the Swiss Federal Department of Finance ("**FDF**") and FINMA launched a consultation on changes to the Liquidity Ordinance and the Circular "*Liquidity risks – banks*." The consultation period ended on 10 April 2017. The proposal aims to implement in Switzerland the net stable funding ratio ("**NSFR**"), which was introduced as part of the Basel III framework along with the liquidity coverage ratio. The draft specifies requirements relating to the implementation of the NSFR at both the group and standalone legal entity level. If implemented as proposed, the new requirements are expected to have a moderate negative impact on UBS's Group NSFR ratio and could result in a significant increase in long-term funding requirements on a legal entity level.

UK triggers Article 50 and begins process of leaving the EU

On 29 March 2017, the UK prime minister formally notified the European Council of the UK's intention to withdraw from the EU under Article 50 of the Treaty on European Union. This has triggered a two-year period during which the UK will negotiate its withdrawal agreement with the EU. It is currently expected that the UK will formally leave the EU in March 2019. The nature of the UK's future relationship with the EU remains unclear, although the prime minister has stated that the UK will leave the EU single market and will instead seek a free trade agreement with the EU, which could cover financial services. The UK will also seek a "phased period of implementation" for the new relationship.

Any future limitations on providing financial services into the EU from UBS's UK operations could require UBS to make potentially significant changes to its operations in the UK and its legal structure. Potential effects of a UK exit from the EU and potential mitigating actions may vary considerably depending on the timing of withdrawal and the nature of any transition or successor arrangements.

US Department of Labor postpones applicability date of fiduciary rule

In April 2016, the US Department of Labor ("**DOL**") adopted a rule that expands the definition of "fiduciary" under the Employee Retirement Income Security Act of 1974. On 7 April 2017, the DOL extended the planned 10 April 2017 applicability date of the fiduciary rule and its exemptions by 60 days to 9 June 2017, while also extending certain requirements of the rule to 1 January 2018. The delay gives the DOL time to undertake an examination of the rule called for by a memorandum issued by President Donald Trump in February 2017. The memorandum directs the DOL to rescind or revise the fiduciary rule if it determines that the rule adversely affects the ability of American citizens to gain access to retirement information and financial advice. Under the terms of the original 2016 rule, Wealth Management Americas and Asset Management would be required to materially change some of their business processes.

Refer to "*Regulatory and legal developments*" in the UBS Group AG first quarter 2017 report, published on 28 April 2017, ("**UBS Group First Quarter 2017 Report**") for information on further recent regulatory and legal developments.

3.5 Trend Information

As indicated in the UBS Group First Quarter 2017 Report, improved investor sentiment and enhanced confidence have not yet fully translated into a sustained increase in client activity levels. While the global recovery is likely to continue, macroeconomic uncertainty, geopolitical tensions and divisive politics pose risks that may affect client sentiment and transaction volumes. Low and negative interest rates, particularly in Switzerland and the eurozone, continue to present headwinds to net interest margins. These may be partially offset by the effect of higher US dollar interest rates and a further normalization of monetary policy. Implementing Switzerland's new bank capital standards and the proposed further changes to the international regulatory framework for banks will result in increased capital requirements, interest and operating costs. UBS is well positioned to mitigate these challenges and benefit from further improvements in market conditions.

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

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

UBS AG complies with all relevant Swiss legal and regulatory corporate governance requirements, as well as with the NYSE standards as a foreign company with debt securities listed on the NYSE.

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

The supervision and control of the EB remains with the BoD. The Articles of Association and the Organization Regulations of UBS AG with their annexes govern the authorities and responsibilities of the two bodies.

4.1 Board of Directors

The BoD is the most senior body of UBS AG. The BoD consists of at least five and a maximum of twelve members. All the members of the BoD are elected individually by the Annual General Meeting of Shareholders ("**AGM**") for a term of office of one year, which expires after completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD.

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

4.1.1. Members of the Board of Directors

Member and business address	Title	Term of office	Current principal positions outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2018	Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; member of the Board of Trustees of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; President of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the Monetary Economics and International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Chairman of the DIW Berlin Board of Trustees; Advisory Board member of the Department of Economics at the University of Zurich.
Michel Demaré Syngenta International AG, Schwarzwaldallee 215, CH-4058 Basel	Independent Vice Chairman	2018	Independent Vice-Chairman of the board of directors of UBS Group AG; Chairman of the board of Syngenta; board member of Louis-Dreyfus Commodities Holdings BV; Vice Chairman of the Supervisory Board of IMD, Lausanne; Chairman of the Syngenta Foundation for Sustainable Agriculture; Advisory Board member of the Department of Banking and Finance at the University of Zurich.
David Sidwell UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Senior Independent Director of the board of directors of UBS Group AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York; Director of the National Council on Aging, Washington D.C.

Member and business address	Title	Term of office	Current principal positions outside UBS AG
Reto Francioni UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the board of directors of UBS Group AG; professor, 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 AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS Group AG; board member of Prudential plc (chairman of the audit committee); 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 AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS Group AG; board member of the Eastman Kodak Company (chairman of the audit and finance committee); board member of the Blackstone Group LP (chairman of the audit committee and chairman of the conflicts committee); board member of Thermo Fisher Scientific Inc. (chairman of the audit committee); Chairman of the Board of Conduent Inc; member of the Committee on Capital Markets Regulation; 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 AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS Group AG; board member of The Hartford Financial Services Group, Inc. (chairman of the audit committee); Board member of Yext (chairman of the audit committee); board member of Arconic Inc.; board member of Vereit, Inc. (chairman of the compensation committee).
Isabelle Romy Froiep Legal AG, Bellerivestrasse 201, CH- 8034 Zurich	Member	2018	Member of the Board of Directors of UBS Group AG; partner at Froiep 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.
Robert W. Scully UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2018	Member of the Board of Directors of UBS Group AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School.
Beatrice Weder di Mauro Johannes Gutenberg- University Mainz, Jakob Welder-Weg 4, D-55099 Mainz	Member	2018	Member of the Board of Directors of UBS Group AG; distinguished fellow at INSEAD in Singapore (on leave from the University of Mainz); Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees; Economic Advisory Board member of Fraport AG; Advisory Board member of Deloitte Germany; Deputy Chairman of the University Council of the University of Mainz; member of the Senate of the Max Planck Society.
Dieter Wemmer Allianz SE, Königinstr. 28, 80802 Munich, Germany	Member	2018	Member of the Board of Directors of UBS Group AG; CFO at Allianz SE; Administrative Board member of Allianz Asset Management AG and Allianz Investment Management SE, both Allianz Group mandates; member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; Chairman of the Economic & Finance Committee of Insurance Europe; 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, BoD committee members, and their respective Chairpersons. At the same meeting, the BoD appoints a Company Secretary, who acts as secretary to the BoD and its committees.

The BoD committees comprise the Audit 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 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 AG's accounting policies, financial reporting and disclosure controls and procedures, (ii) the quality, adequacy and scope of external audit, (iii) UBS AG'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 Internal Audit in conjunction with the Chairman of the BoD.

Together with the external auditors and Internal Audit, the AC in particular reviews the annual financial statements of UBS AG and, where applicable, the quarterly financial statements as well as the consolidated annual and quarterly financial statements and consolidated annual report of UBS AG, as proposed by management, in order to recommend their 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 Executive Board

Under the leadership of the President of the EB, the EB has executive management responsibility for UBS AG and its business. All EB members (with the exception of the President of the EB) are proposed by the President of the EB. The appointments are made by the BoD.

4.2.1. Members of the Executive Board

Member and business address	Function	Current principal positions outside UBS AG
Sergio P. Ermotti UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President of the Executive Board	Member of the Group Executive Board and Group Chief Executive Officer of UBS Group 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 and business address	Function	Current principal positions outside UBS AG
Christian Bluhm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich.....	Chief Risk Officer	Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Business Solutions AG; board member of UBS Switzerland AG;
Markus U. Diethelm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich.....	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group 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; Foundation Board member of the International Red Cross and Red Crescent Museum; member of the Professional Ethics Commission of the Association of Swiss Corporate Lawyers.
Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich.....	Chief Financial Officer	Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG.
Sabine Keller-Busse UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Head Human Resources	Member of the Group Executive Board and Group Head Human Resources of UBS Group AG; board member of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS Pension Fund; Foundation Board member of the University Hospital Zurich.
Ulrich Körner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Asset Management and President UBS Europe, Middle East and Africa	Member of the Group Executive Board and President Asset Management and President UBS Europe, Middle East and Africa of UBS Group 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, Zurich; 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.

Member and business address	Function	Current principal positions outside UBS AG
Axel P. Lehmann UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Operating Officer	Member of the Group Executive Board and Group Chief Operating Officer of UBS Group 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; Chairman of the board of the Institute of Insurance Economics at the University of St. Gallen; member of the International and Alumni Advisory Board of 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 .	President Wealth Management Americas and President UBS Americas	Member of the Group Executive Board and President Wealth Management Americas and President UBS Americas of UBS Group 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 AG, Bahnhofstrasse 45, CH-8001 Zurich	President Investment Bank	Member of the Group Executive Board and President Investment Bank of UBS Group 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, Hong Kong	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; board member of Kenford International Ltd.; board member of Shih Co Charitable Foundation Ltd.; board member of Zygate Group Ltd.; member of the Hong Kong Trade Development Council (Financial Services Advisory Committee).
Jürg Zeltner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	President Wealth Management	Member of the Group Executive Board and President Wealth Management of UBS Group AG; board member of the German-Swiss Chamber of Commerce; member of the IMD Foundation Board, Lausanne.

4.3. Potential Conflicts of Interest

Members of the BoD and the EB may act as directors or executive officers of other companies (for current principal positions outside UBS AG, if any, of BoD and EB 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 AG. Conflicts of interest may potentially arise from these positions or interests. For example, it cannot be excluded that a member of the BoD or EB has or will have a function within a company, the shares of which are or will be traded by UBS AG or which has or will have a business relationship with UBS AG. UBS 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

Based on article 31 of the Articles of Association, UBS AG shareholders elect the auditors for a term of office of one year. At the AGM of 7 May 2015, 4 May 2016 and 2 March 2017, Ernst & Young Ltd., Aeschengraben 9, CH-4002 Basel ("**Ernst & Young**") were elected as auditors for the consolidated and standalone financial statements of UBS 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 AG**

UBS Group AG owns 100 per cent. of the outstanding shares of UBS AG.

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

7.1 **Historical Annual Financial Information**

Detailed information about UBS AG (consolidated) and UBS AG assets and liabilities, financial position and profits and losses for financial year 2016 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2016 and in the UBS AG's standalone financial statements for the year ended 31 December 2016 (the "**Standalone Financial Statements**"), respectively; and for financial year 2015 it is available in the "Consolidated financial statements" and "Legal entity financial and regulatory information" sections of the UBS Group AG and UBS AG annual report 2015, in English, published on 18 March 2016 ("**Annual Report 2015**"). The consolidated and standalone financial accounts are closed on 31 December of each year.

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

- (i) the following parts of the Annual Report 2016: the UBS AG consolidated financial statements, in particular to the Income statement on page 478, the Balance sheet on page 481, the Statement of changes in equity on pages 482-485 (inclusive), the Statement of cash flows on pages 487-488 (inclusive) and the Notes to the consolidated financial statements on pages 489-634 (inclusive); and
- (ii) the following parts of the UBS AG standalone financial statements: the Income statement on page 1, the Balance sheet on pages 2-3 (inclusive), the Statement of appropriation of retained earnings and proposed dividend distribution out of capital contribution reserve on page 4 and the Notes to the UBS AG standalone financial statements on pages 5-21 (inclusive).

With respect to the financial year 2015, reference is made to the following parts of the Annual Report 2015:

- (i) the UBS AG consolidated financial statements, in particular to the Income statement on page 568, the Balance sheet on page 571, the Statement of changes in equity on pages 572-575 (inclusive), the Statement of cash flows on pages 577-578 (inclusive) and the Notes to the consolidated financial statements on pages 579-738 (inclusive); and
- (ii) the UBS AG standalone financial statements, in particular to the Income statement on page 772, the Balance sheet on page 773-774, the Statement of appropriation of retained earnings and proposed dividend distribution on page 775, and the Notes to the UBS AG standalone financial statements on pages 776-792 (inclusive).

The annual financial reports form an essential part of UBS AG's reporting. They include the audited consolidated financial statements of UBS AG, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and the Corporate Center. In addition, UBS AG prepares

and publishes standalone financial statements in accordance with Swiss GAAP, as well as certain additional disclosures required under US Securities and Exchange Commission regulations.

7.2 Auditing of Historical Annual Financial Information

The consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for financial years 2016 and 2015 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 471-477 (inclusive) of the Annual Report 2016 and on pages 566-567 (inclusive) of the Annual Report 2015. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 22-25 (inclusive) of the Standalone Financial Statements and on pages 793-794 (inclusive) of the Annual Report 2015.

There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2016 and 31 December 2015, which are incorporated by reference into this document.

7.3 Interim Financial Information

Reference is also made to (i) the UBS Group First Quarter 2017 Report and the UBS AG first quarter 2017 report, published on 3 May 2017 ("**UBS AG First Quarter 2017 Report**"), which contain information on the financial condition and results of operations, including the interim consolidated financial statements, of UBS Group AG (consolidated) and UBS AG (consolidated), respectively, as of and for the period ended 31 March 2017. The interim consolidated financial statements are not audited.

7.4 Incorporation by Reference

The Annual Report 2015, the Annual Report 2016, the Standalone Financial Statements, the UBS Group First Quarter 2017 Report and the UBS AG First Quarter 2017 Report are fully incorporated in, and form an integral part of, this document.

7.5 Litigation, Regulatory and Similar Matters

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

Such matters are subject to many uncertainties and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to select 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 13a Provisions" to the UBS AG's interim consolidated financial statements included in UBS AG First Quarter 2017 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages have not been quantified by the claimants. Although it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement ("NPA") described in item 5 of this section, which UBS entered into with the US Department of Justice ("DOJ"), Criminal Division, Fraud Section in connection with its 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 USD 203 million fine and is subject to a three-year term of probation. A guilty plea to, or conviction of, a crime (including as a result of termination of the NPA) 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 its capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of UBS Group First Quarter 2017 Report.

Provisions for litigation, regulatory and similar matters by business division and Corporate Center unit¹

CHF million	Wealth Management	Wealth Management Americas	Personal & Corporate Banking	Asset Management	Investment Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	UBS
Balance as of 31 December 2016	292	425	78	5	616	259	0	1,585	3,261
Increase in provisions recognised in the income statement	5	38	0	0	0	0	0	1	45
Release of provisions recognised in the income statement	(2)	(5)	(1)	0	0	(4)	0	0	(11)
Provisions used in conformity with designated purpose.....	(53)	(68)	0	(1)	(206)	0	0	(13)	(341)

Foreign currency translation / unwind of discount.....	2	(7)	0	0	(7)	0	0	(24)	(36)
Balance as of 31 March 2017.....	244	385	77	4	404	255	0	1,550	2,918

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 8), CC – Services (item 7) and CC – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in this section in items 1 and 6 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, CC – Services and CC – Non-core and Legacy Portfolio.

1. Inquiries regarding cross-border wealth management businesses

Tax and regulatory authorities in a number of countries have made inquiries, served requests for information or examined employees located in their respective jurisdictions relating to the cross-border wealth management services provided by UBS and other financial institutions. It is possible that 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. In addition, the Swiss Federal Supreme Court ruled in 2016 that the double taxation agreement between the Netherlands and Switzerland provides a sufficient legal basis for an administrative assistance group request without specifying the names of the targeted taxpayers, which makes it more likely that similar requests for administrative assistance will be granted by the FTA.

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

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

In February 2016, the investigating judges notified UBS AG and UBS (France) S.A. that they have closed their investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("*réquisitoire*"). In March 2017, the investigating judges issued the trial order ("*ordonnance de renvoi*") that charges UBS AG and UBS (France) S.A., as well as various former employees, with illicit solicitation of clients on French territory and with participation in the laundering of the proceeds of tax fraud, and which transfers the case to court.

UBS has been notified by the Belgian investigating judge that it is under formal investigation ("*inculpé*") regarding the laundering of proceeds of tax fraud and of banking, financial solicitation by unauthorized persons and serious tax fraud.

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

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 March 2017 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

From 2002 through 2007, prior to the crisis in the US residential loan market, UBS was a substantial issuer and underwriter of US residential mortgage-backed securities ("**RMBS**") and was a purchaser and seller of US residential mortgages. A subsidiary of UBS, UBS Real Estate Securities Inc. ("**UBS RESI**"), acquired pools of residential mortgage loans from originators and (through an affiliate) deposited them into securitisation 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 securitized less than half of these loans.

RMBS-related lawsuits concerning disclosures: UBS is named as a defendant relating to its role as underwriter and issuer of RMBS in lawsuits related to approximately USD 1.3 billion in original face amount of RMBS underwritten or issued by UBS. Of the USD 1.3 billion in original face amount of RMBS that remains at issue in these cases, approximately USD 506 million was issued in offerings in which a UBS subsidiary transferred underlying loans (the majority of which were purchased from third-party originators) into a securitisation trust and made representations and warranties about those loans ("**UBS-sponsored RMBS**"). The remaining USD 807 million of RMBS to which these cases relate was issued by third parties in securitisations in which UBS acted as underwriter ("**third-party RMBS**").

UBS is a defendant in a lawsuit brought by the National Credit Union Administration ("**NCUA**") as conservator for certain failed credit unions, asserting misstatements and omissions in the offering documents for RMBS purchased by the credit unions. The lawsuit was filed in the US District Court for the District of Kansas. The original principal balance at issue in the case is approximately USD 1.15 billion. In April 2017, UBS and the NCUA settled this matter. In the second quarter of 2016, UBS resolved a similar case brought by the NCUA in the US District Court for the Southern District of New York ("**SDNY**") relating to RMBS with an original principal balance of approximately USD 400 million, for a total of approximately USD 69.8 million, in addition to reasonable attorneys' fees incurred by the NCUA.

UBS has indemnification rights against surviving third-party issuers or originators for losses or liabilities incurred by UBS in connection with this and other matters. UBS cannot predict the extent to which it will succeed in enforcing those rights.

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. UBS has received demands to repurchase US residential mortgage loans as to which UBS made certain representations at the time the loans were transferred to the securitisation trust aggregating approximately USD 4.1 billion in original principal balance. Of this amount, UBS considers claims relating to approximately USD 2 billion in original principal balance to be

resolved, including claims barred by the statute of limitations. Substantially all of the remaining claims are in litigation, including the matters described in the next paragraph. UBS believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the 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, for which Assured Guaranty Municipal Corp., a financial guaranty insurance company, had previously demanded repurchase. 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. With respect to the loans subject to the Trustee Suit that were originated by institutions still in existence, UBS intends to enforce its indemnity rights against those institutions.

UBS also has tolling agreements with certain institutional purchasers of RMBS concerning their potential claims related to substantial purchases of UBS-sponsored or third-party RMBS.

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 has subsequently provided a revised list of transactions. UBS has provided and continues to provide information. UBS continues to respond to the FIRREA subpoena and to subpoenas from the New York State Attorney General and other state attorneys general relating to its RMBS business. In addition, UBS has also been responding 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 March 2017 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

3. Madoff

In relation to the Bernard L. Madoff Investment Securities LLC ("**BMIS**") investment fraud, UBS AG, UBS (Luxembourg) S.A. (now UBS Europe SE, Luxembourg branch) and certain other UBS subsidiaries have been subject to inquiries by a number of regulators, including FINMA and the Luxembourg Commission de Surveillance du Secteur Financier ("**CSSF**"). Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds now face severe losses, and the Luxembourg funds are in liquidation. The last reported net asset value of the two Luxembourg funds before revelation of the Madoff scheme was approximately USD 1.7 billion in the aggregate although that figure likely includes fictitious profit reported by BMIS. 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. UBS Europe SE, Luxembourg branch, and certain other UBS subsidiaries are responding to inquiries by Luxembourg investigating authorities, without, however, being named as parties in those investigations.

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims on behalf of the funds against UBS entities, non-UBS entities and certain individuals, including current and former UBS employees. The amounts claimed are approximately EUR 890 million and EUR 305

million, respectively. The liquidators have filed supplementary claims for amounts that the funds may possibly be held liable to pay the trustee for the liquidation of BMIS ("**BMIS Trustee**"). These amounts claimed by the liquidator are approximately EUR 564 million and EUR 370 million, respectively.

In addition, a large number of alleged beneficiaries have filed claims against UBS entities (and non-UBS entities) for purported losses relating to the Madoff scheme. The majority of these cases are pending in Luxembourg, where appeals were filed by the claimants against the 2010 decisions of the court in which the claims in a number of test cases were held to be inadmissible. The Luxembourg Court of Appeal has found in favor of UBS and dismissed all of these test case appeals, confirming that the claims are inadmissible. The Luxembourg Supreme Court has also dismissed a further appeal brought by the claimant in one of the test cases.

In the US, the BMIS Trustee filed claims in 2010 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. Following a motion by UBS, in 2011, the SDNY dismissed all of the BMIS Trustee's claims other than claims for recovery of fraudulent conveyances and preference payments that were allegedly transferred to UBS on the ground that the BMIS Trustee lacks standing to bring such claims. In 2013, the Second Circuit affirmed the District Court's decision and, in 2014, the US Supreme Court denied the BMIS Trustee's petition seeking review of the Second Circuit ruling. In 2016, the bankruptcy court issued an opinion dismissing the remaining claims for recovery of subsequent transfers of fraudulent conveyances and preference payments on the ground that the US Bankruptcy Code does not apply to transfers that occurred outside the US, and judgment was entered in March 2017. The BMIS Trustee has appealed that ruling. In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to the ones made by the BMIS Trustee, seeking unspecified damages. One claim was voluntarily withdrawn by the plaintiff. In 2015, following a motion by UBS, the SDNY dismissed the two remaining claims on the basis that the New York courts did not have jurisdiction to hear the claims against the UBS entities. The plaintiff in one of those claims has appealed the dismissal.

In Germany, certain clients of UBS are exposed to Madoff-managed positions through third-party funds and funds administered by UBS entities in Germany. A small number of claims have been filed with respect to such funds. In 2015, a court of appeal ordered UBS to pay EUR 49 million, plus interest of approximately EUR 15.3 million.

4. Puerto Rico

Declines since August 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**the 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 approximately USD 2 billion, of which claims with aggregate claimed damages of approximately USD 990 million 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 defendants' motion to dismiss the action based on a forum selection clause in the loan

agreements; the Puerto Rico Supreme Court has stayed the action pending its review of defendants' appeal from that ruling.

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 approximately USD 3 billion of bonds by the System in 2008 and sought damages of over USD 800 million. In December 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 March 2017, the court denied defendants' motion to dismiss the amended complaint.

Also, in 2013, an SEC Administrative Law Judge dismissed a case brought by the SEC against two UBS executives, finding no violations. The charges had stemmed from the SEC's investigation of UBS's sale of closed-end funds in 2008 and 2009, which UBS settled in 2012. Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain of the 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 based on allegations similar to those in the SEC action. 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, agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) have defaulted on certain interest payments, and in 2016, the Commonwealth defaulted on payments on its general obligation debt. Executive orders of the Governor that have diverted funds to pay for essential services instead of debt payments and stayed any action to enforce creditors' rights on the Puerto Rico bonds continue to be in effect. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board is authorized to impose, and has imposed, a stay on exercise of creditors' rights. 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 March 2017 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

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

Foreign exchange-related regulatory matters: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes its precious metals and related

structured products businesses. Since then, various authorities have commenced investigations concerning possible manipulation of foreign exchange markets, including FINMA, the Swiss Competition Commission ("**WEKO**"), the DOJ, the SEC, the US Commodity Futures Trading Commission ("**CFTC**"), the Board of Governors of the Federal Reserve System ("**Federal Reserve Board**"), the California State Attorney General, the UK Financial Conduct Authority ("**FCA**") (to which certain responsibilities of the UK Financial Services Authority ("**FSA**") have passed), the UK Serious Fraud Office ("**SFO**"), the Australian Securities and Investments Commission ("**ASIC**"), the Hong Kong Monetary Authority ("**HKMA**"), the Korea Fair Trade Commission ("**KFTC**") and the Brazil Competition Authority ("**CADE**"). In addition, WEKO is, and a number of other authorities reportedly are, investigating potential manipulation of precious metals prices.

In 2014, UBS reached settlements with the FCA and the CFTC in connection with their foreign exchange investigations, and FINMA issued an order concluding its formal proceedings with respect to UBS relating to its foreign exchange and precious metals businesses. In 2015, the Federal Reserve Board and the Connecticut Department of Banking issued an Order to Cease and Desist and Order of Assessment of a Civil Monetary Penalty Issued upon Consent ("**Federal Reserve Order**") to UBS AG.

In 2015, the DOJ's Criminal Division ("**Criminal Division**") terminated the December 2012 Non-Prosecution Agreement ("**NPA**") with UBS AG related to UBS's submissions of benchmark interest rates. As a result, UBS AG entered into a plea agreement with the Criminal Division pursuant to which UBS AG pleaded guilty to a one-count criminal information filed in the US District Court for the District of Connecticut charging UBS AG with one count of wire fraud in violation of 18 USC Sections 1343 and 2. Sentencing occurred in January 2017. Under the plea agreement, UBS AG has paid a USD 203 million fine and is subject to a three-year term of probation starting on the sentencing date. The criminal information charges that, between approximately 2001 and 2010, UBS AG engaged in a scheme to defraud counterparties to interest rate derivatives transactions by manipulating benchmark interest rates, including Yen LIBOR. The Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA in certain foreign exchange market transactions.

UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve UBS's processes and controls.

UBS has been granted conditional leniency or conditional immunity by the Antitrust Division of the DOJ ("**Antitrust Division**") from prosecution for EUR / USD collusion and entered into a non-prosecution agreement covering other currency pairs. As a result, UBS AG will not be subject to prosecutions, fines or other sanctions for antitrust law violations by the Antitrust Division, subject to UBS AG's continuing cooperation. However, the conditional leniency and conditional immunity grant does not bar government agencies from asserting other claims and imposing sanctions against UBS AG. UBS has also been granted conditional immunity by authorities in certain jurisdictions, including WEKO, in connection with potential competition law violations relating to foreign exchange and precious metals businesses and, as a result, will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in those jurisdictions, subject to UBS AG's continuing cooperation as the leniency applicant.

Investigations relating to foreign exchange and precious metals matters by numerous authorities, including the CFTC, remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since November 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 1 January 2003. The complaints assert claims under the Commodity Exchange Act ("**CEA**") and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described

above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

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

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 has been transferred to federal court in New York. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint.

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 FX 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 have sought to amend their complaint.

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 October 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 are seeking to amend their complaints to add new allegations about UBS. In March 2017, the court in New York granted UBS's motion to dismiss the platinum and palladium action.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the SFO, the Monetary Authority of Singapore ("**MAS**"), the HKMA, FINMA, the various state attorneys general in the US and competition authorities in various jurisdictions have conducted or are continuing to conduct investigations regarding submissions with respect to LIBOR and other benchmark rates. These investigations focus on whether there were improper attempts by UBS, among others, either acting on its own or together with others, to manipulate LIBOR and other benchmark rates at certain times.

In 2012, UBS reached settlements with the FSA, the CFTC and the Criminal Division of the DOJ in connection with their investigations of benchmark interest rates. At the same time, FINMA issued an order concluding its formal proceedings with respect to UBS relating to benchmark interest rates. UBS has paid a total of approximately CHF 1.4 billion in fines and disgorgement in connection with these resolutions. UBS Securities Japan Co. Ltd. ("**UBSSJ**") entered into a plea agreement with the DOJ under which it entered a plea to one count of wire fraud relating to the manipulation of certain benchmark interest rates, including Yen LIBOR. UBS entered into an NPA with the DOJ, which (along with the plea agreement) covered conduct beyond the scope of the conditional leniency / immunity grants described below. Under the NPA, UBS agreed, among other things, that for two years from 18 December 2012 it would not commit any US crime and would advise the DOJ of any potentially criminal conduct by UBS or any of its employees relating to violations of US laws concerning fraud or securities and commodities markets. The term of the NPA was extended by one year to 18 December 2015. In 2015, the Criminal Division terminated the NPA based on its determination, in its sole discretion, that certain UBS AG employees committed criminal conduct that violated the NPA.

In 2014, UBS reached a settlement with the European Commission ("**EC**") regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and paid

a EUR 12.7 million fine, which was reduced to this level based in part on UBS's cooperation with the EC. In 2016, UBS reached a settlement with WEKO regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives and received full immunity from fines. The MAS, HKMA and the Japan Financial Services Agency have also resolved investigations of UBS (and in some cases, other banks). 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.

Investigations by the CFTC, ASIC and other governmental authorities remain ongoing notwithstanding these resolutions.

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 submissions for Yen LIBOR and Euroyen TIBOR. As a result of these conditional grants, UBS will not be subject to prosecutions, fines or other sanctions for antitrust or competition law violations in the jurisdictions where UBS has conditional immunity in connection with the matters covered by the conditional grants, subject to UBS's continuing cooperation as leniency applicant. However, since the Secretariat of WEKO has asserted that UBS does not qualify for full immunity, UBS has been unable to reach a settlement with WEKO, and therefore the investigation will continue. Furthermore, the conditional leniency and conditional immunity grants UBS has received do not bar government agencies from asserting other claims and imposing sanctions against it. In addition, as a result of the conditional leniency agreement with the DOJ, UBS is eligible for a limit on liability to actual rather than treble damages were damages to be awarded in any civil antitrust action under US law based on conduct covered by the agreement and for relief from potential joint and several liability in connection with such civil antitrust action, subject to UBS satisfying the DOJ and the court presiding over the civil litigation of its cooperation. The conditional leniency and conditional immunity grants do not otherwise affect the ability of private parties to assert civil claims against UBS.

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 ISDAFIX rates and other benchmark rates, 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 2016, the district court again dismissed plaintiffs' antitrust claims, this time for lack of personal jurisdiction over UBS and other foreign banks. In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including federal antitrust claims. In 2015, the same court dismissed plaintiff's federal racketeering claims and affirmed its previous dismissal of plaintiff's antitrust claims. In 2017, the court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds. Also in 2017, the court in the EURIBOR lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. UBS and other defendants in other lawsuits including those related to CHF LIBOR, GBP LIBOR and USD and SGD SIBOR and Australian BBSW have filed motions to dismiss. In 2016, UBS entered into an agreement with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement is subject to court approval.

Since September 2014, putative class actions have been filed in federal court in New York and New Jersey against UBS and other financial institutions, among others, on behalf of parties who

entered into interest rate derivative transactions linked to ISDAFIX. The complaints, which have since been consolidated into an amended complaint, allege that the defendants conspired to manipulate ISDAFIX rates from 1 January 2006 through June 2013, in violation of US antitrust laws and certain state laws, and seek unspecified compensatory damages, including treble damages. In 2016, the court in the ISDAFIX action denied in substantial part defendants' motion to dismiss, holding that plaintiffs have stated Sherman Act, breach-of-contract and unjust-enrichment claims against defendants, including UBS AG.

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. Following filing of these complaints, UBS and reportedly other banks are responding to investigations and requests for information from various authorities regarding US Treasury securities and other government bond trading practices. As a result of its review to date, UBS has taken appropriate action.

With respect to additional matters and jurisdictions not encompassed by the settlements and order referred to above, UBS's balance sheet at 31 March 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.

6. Swiss retrocessions

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

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

The Supreme Court decision has resulted, and may continue to result, in a number of client requests for UBS to disclose and potentially surrender retrocessions. Client requests are assessed on a case-by-case basis. Considerations taken into account when assessing these cases include, among others, 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 March 2017 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

7. Banco UBS Pactual tax indemnity

Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("**Pactual**") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims that UBS estimates amount to approximately BRL 2.7 billion, including interest and penalties, which is net of liabilities retained by BTG. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. The majority of these assessments relate to the deductibility of goodwill amortization in connection with UBS's 2006 acquisition of Pactual and

payments made to Pactual employees through various profit-sharing plans. In 2015, an intermediate administrative court issued a decision that was largely in favour of the tax authority with respect to the goodwill amortization assessment. In 2016, the highest level of the administrative court agreed to review this decision on a number of the significant issues.

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

The Hong Kong Securities and Futures Commission ("**SFC**") has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In 2016, the SFC informed UBS that it intends to commence action against UBS and certain UBS employees with respect to sponsorship work in those offerings, which could result in financial ramifications for UBS, including fines and obligations to pay investor compensation, and suspension of UBS's ability to provide corporate finance advisory services in Hong Kong for a period of time. In January 2017, a writ was filed by the SFC with Hong Kong's High Court in which UBS is named as one of six defendants from whom the SFC is seeking compensation in an unspecified amount for losses incurred by certain shareholders of China Forestry Holdings Company Limited, for whom UBS acted as a sponsor in connection with their 2009 listing application.

The specific litigation, regulatory and other matters described above under items (1) to (8) include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in "*Note 13 Provisions and contingent liabilities*" to the UBS AG interim consolidated financial statements included in the UBS AG First Quarter 2017 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and those described below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) which may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

Matters relating to the CDS market.

In 2013, the EC issued a Statement of Objections against 13 credit default swap ("**CDS**") dealers including UBS, as well as data service provider Markit and the International Swaps and Derivatives Association ("**ISDA**"). The Statement of Objections broadly alleges that the dealers infringed European Union antitrust rules by colluding to prevent exchanges from entering the credit derivatives market between 2006 and 2009. In 2015, the EC issued a statement that it had decided to close its investigation against all 13 dealers, including UBS. In July 2016, the EC issued a statement that it had resolved its investigation regarding Markit and ISDA. Starting in 2009, the Antitrust Division of the DOJ investigated whether multiple dealers, including UBS, conspired with each other and with Markit to restrain competition in the markets for CDS trading, clearing and other services. In September 2016, DOJ advised that it had closed its investigation. In 2014, putative class action plaintiffs filed consolidated amended complaints in the SDNY against 12 dealers, including UBS, as well as Markit and ISDA, alleging violations of the US Sherman Antitrust Act and common law. Plaintiffs allege that the defendants unlawfully conspired to restrain competition in and / or monopolize the market for CDS trading in the US in order to protect the dealers' profits from trading CDS in the over-the-counter market. In 2015, UBS and the other defendants entered into settlement agreements to resolve the litigation, pursuant to which UBS has paid USD 75 million out of a total settlement amount paid by all defendants of approximately USD 1.865 billion. The agreements have received final court approval.

7.6 Material Contracts

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

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

There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 March 2017, which is the end of the last financial period for which interim financial information has been published.

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

8. **Share Capital**

As reflected in its Articles of Association most recently registered with the Commercial Register of Zurich and the Commercial Register of Basel-City, UBS AG has (i) fully paid and issued share capital of CHF 385,840,846.60, divided into 3,858,408,466 registered shares with a par value of CHF 0.10 each (article 4), (ii) no authorized capital and (iii) conditional capital in the amount of (a) CHF 13,620,031.20, comprising 136,200,312 registered shares with a par value of CHF 0.10 each that can be issued upon exercise of employee options; and (b) CHF 38,000,000, comprising 380,000,000 registered shares with a par value of CHF 0.10 each that can be issued upon the voluntary or mandatory exercise of conversion rights and/or warrants (article 4a).

9. **Dividends**

For the financial years ended on 31 December 2012 and 31 December 2013, UBS AG paid to its shareholders a cash dividend of CHF 0.15 and CHF 0.25 per share of CHF 0.10 par value, respectively. For the financial year ended on 31 December 2014, UBS AG paid to its shareholders a dividend of CHF 0.50 per share of CHF 0.10 par value in cash or, at the election of each shareholder, a number of new UBS AG shares as to be of substantially equivalent value to CHF 0.50. UBS AG also paid a supplementary cash dividend of CHF 0.25 per share of CHF 0.10 par value. For the financial year ended 31 December 2015, UBS AG paid a dividend of CHF 3,434 million to UBS Group AG. In addition, as part of the establishment of UBS Business Solutions AG, UBS AG paid a cash dividend of CHF 30 million and transferred its participation in the Poland Service Center as a dividend-in-kind at book value of CHF 5 million to UBS Group AG in 2015. For the financial year ended on 31 December 2016, UBS AG paid to UBS Group AG a dividend of CHF 2,250 million.

10. **Documents on Display**

- The annual report of UBS Group AG and UBS AG as of 31 December 2015, 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 "*Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements*"), (6) Legal entity financial and regulatory information (including the "*Report of the statutory auditor on the financial statements*"), (7) Additional regulatory information, and the Appendix;
- The annual report of UBS Group AG and UBS AG as of 31 December 2016, comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Financial statements (including the "*Statutory auditor's report on the audit of the consolidated financial statements*" and the "*Report of Independent Registered Public Accounting Firm*"), (6) Additional regulatory information, and the Appendix;
- The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2016 (including the "*Report of the statutory auditor on the financial statements*");
- The UBS Group First Quarter 2017 Report and the UBS AG First Quarter 2017 Report; and

- The Articles of Association of UBS AG,

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

PRO FORMA FINAL TERMS

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 the Prospectus Directive (as defined below). 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.]³

The Final Terms dated [•]

UBS AG, acting through its [head offices in Basel and Zurich] [[•] branch]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the Euro Note Programme

Any person making or intending to make an offer of the Notes may only do so [:

- (i) in those Public Offer Jurisdictions mentioned under *Distribution - Public Offer* in Part B below, provided such person is a Dealer, Manager or Authorised Offeror (as such term is defined in the Base Prospectus) and that such offer is made during the Offer Period specified for such purpose therein and that any conditions relevant to the use of the Base Project are complied with; or
- [(ii)] otherwise]⁴ circumstances in which no obligation arises for the Issuer or any Manager 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.

The expression "**Prospectus Directive**" for the purpose of this Base Prospectus means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), to the extent implemented in the relevant Member State of the European Economic Area, and includes any relevant implementing measure in the relevant Member State, and "**2010 PD Amending Directive**" means Directive 2010/73/EU.⁵

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 31 May 2017 [and the supplements to it dated [•]] which [together] constitute[s] a base prospectus for the purposes of Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [(including the supplements)] [is] [are] available for viewing at www.ise.ie and copies may be obtained from the offices of the Paying Agents, The Bank of New York Mellon, acting through its London Branch, One Canada Square, London E14 5AL, The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building - Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg and The Bank of New York Mellon SA/NV Dublin Branch, 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date. N.B. when using a post - 1 July 2012 approved base prospectus to tap a previous issue under a pre - 1 July 2012 approved base prospectus, the final terms in the post - 1 July 2012 base prospectus will take a different form due to the more restrictive approach to final terms. The Conditions of the original issue being tapped should be reviewed to ensure that they

³ Include where Part B item 8 (*Prohibition of sales to EEA Retail Investors*) of the Final Terms specifies "Applicable".

⁴ Include the wording where a retail issuance of Notes is anticipated.

⁵ Include the wording where a retail issuance of Notes is anticipated.

would not require the final terms documenting the further issue to include information which is no longer permitted in final terms. Where the final terms documenting the further issue would need to include such information, it will not be possible to tap using final terms and a drawdown prospectus (incorporating the original Conditions and final terms) will instead need to be prepared.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [1 July 2005/ 3 July 2006/ 4 July 2007/ 4 July 2008/ 20 April 2009/ 27 August 2009/ 25 August 2010/ 25 August 2011/ 27 June 2012/ 25 June 2013/ 24 June 2014/ 22 June 2015/22 June 2016/31 May 2017] [and the supplement(s) to it dated [•]] which are incorporated by reference in the Base Prospectus dated 31 May 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 31 May 2017 [and the supplement(s) to it dated [•]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Base Prospectus dated [1 July 2005/ 3 July 2006/ 4 July 2007/ 4 July 2008/ 20 April 2009/ 27 August 2009/ 25 August 2010/ 25 August 2011/ 27 June 2012/ 25 June 2013/ 24 June 2014/ 22 June 2015/22 June 2016] [and the supplement(s) to it dated [•]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus. The Base Prospectuses [(including the supplement(s) dated [•])] are available for viewing at [(<http://www.centralbank.ie>)/ the Irish Stock Exchange (www.ise.ie)] and copies may be obtained from the offices of the Paying Agents, The Bank of New York Mellon, acting through its London Branch, One Canada Square, London E14 5AL, The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building - Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg and The Bank of New York Mellon SA/NV Dublin Branch, 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs (in which case the sub-paragraphs of the paragraphs which are not applicable can be deleted). Italics denote guidance for completing these Final Terms.]

1. Issuer: UBS AG, acting through its [head offices in Basel and Zurich][[•] branch]
2. (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 shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on the [Issue Date/[specify date]]
3. Currency: [•]
4. Aggregate Nominal Amount:
 - (i) Series: [•]
 - (ii) Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: [Bearer Notes]
 [currency/amount for each denomination]
 [Registered Notes]
[The Notes may be issued, traded and redeemed in integral multiples of currency/amount (e.g.

US\$1,000) subject to a minimum lot of currency/amount (e.g. US\$100,000)]

[Notes which may be listed on the Irish Stock Exchange's regulated market and/or admitted to listing on the Luxembourg Stock Exchange's regulated market and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or operating in a member state of the European Union may not have a minimum denomination of less than €1,000 (or nearly equivalent in another currency).]

- (ii) Calculation Amount: [•]
7. (i) Issue Date: [day/month/year]
- (ii) Interest Commencement Date: [day/month/year]
8. Maturity Date: [day/month/year] / [For Floating Rate Notes, the Interest Payment Date falling in or nearest to [specify month and year]]⁶
9. Interest Basis: [[•] per cent. Fixed Rate]
- [[BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY TSR] / [LIBOR] / [NIBOR] / [SHIBOR] / [SOR] / [STIBOR] / [U.S. Federal Funds Rate] +/- [•] per cent. Floating Rate]
- [Zero Coupon]
- (see paragraph [13/14/15] below)
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[•]/100]] per cent. of their nominal amount.
11. Put/Call Options: [Not Applicable / Investor Put / Issuer Call]
12. (i) Status of the Notes: [Senior/Subordinated]
- (ii) [Date [Board] approval for issuance of Notes obtained: [•] [and [•], respectively]]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions: [Applicable/Not applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*

⁶ Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date.
- (ii) Interest Payment Date(s): [•] in each year
- (iii) Fixed Coupon ⁷ [•] per Calculation Amount:
- (iv) [Party responsible for calculating the Fixed Coupon Amount(s):] *[Include this item for Renminbi Notes only: The Agent/[•] shall be the Calculation Agent]*
- (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 which do not correspond with the Fixed Coupon Amount(s)]*] [Not Applicable]
- (vi) Day Count Fraction: [30/360]/[Actual/360]/[Actual/365 (Fixed)]/[Actual/Actual (ICMA)]/[Actual/365]/[Actual/Actual]/[Actual/Actual (ISDA)]
14. Floating Rate Note Provisions: [Applicable/Not applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Period: [[•]/Not Applicable]
- (Specified Interest Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise select "Not Applicable".)*
- (ii) Interest Payment Dates: [[insert details of the dates on which interest will be paid]/[Not Applicable]]
- (Specified Period and Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, the Floating Rate Convention or Eurodollar Convention, select "Not Applicable".)*
- (iii) Business Day Convention: [FRN Convention/Following Business Day Convention/Modified Following Business Day/[Not Applicable]]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s): Agent/[•]
- (vi) If ISDA Determination:

⁷ For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest RMB0.01, RMB0.005 for the case of Renminbi denominated Fixed Rate Notes, for the case of Renminbi denominated Fixed Rate Notes to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

- (a) Floating Rate Option: [•]
 - (b) Designated Maturity: [•]
 - (c) Reset Date(s): [•]
 - [(d) ISDA Definition: [2000 ISDA Definitions / 2006 ISDA Definitions]]
 - (vii) if Screen Rate Determination
 - (a) Reference Rate: [BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY TSR] / [LIBOR] / [NIBOR] / [SHIBOR] / [SOR] / [STIBOR] / [U.S. Federal Funds Rate]
 - (b) Interest Determination Date: [•]
 - (c) Relevant Screen Page: [•]
 - (viii) Margin(s): [+/-] [•] per cent. per annum
 - (ix) Minimum Rate of Interest: [•]
 - (x) Maximum Rate of Interest: [•]
 - (xi) Day Count Fraction: [30/360]/[Actual/360]/[Actual/365 (Fixed)]/[Actual/Actual (ICMA)]/[Actual/365]/[Actual/Actual]/[Actual/Actual (ISDA)]
15. Zero Coupon Note Provisions: [Applicable/Not applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum
 - (ii) Reference Price: [•]

PROVISIONS RELATING TO REDEMPTION

- 16. Redemption Amount: [currency/amount e.g. US\$1,000,000]
- 17. Redemption at the option of the Issuer: [Applicable/Not Applicable]
 - (i) Optional Redemption Amount: [•] per Calculation Amount
 - (ii) Optional Redemption Date: [•]
 - (iii) Notice period for notice to the Noteholders in the case of redemption at the option of the Issuer: [Not Applicable / Not less than 15 nor more than 35 days' notice / [•]]
 - (iv) Minimum Redemption Amount: [•]
 - (v) Higher Redemption Amount: [•]
- 18. Redemption at the option of the Noteholders: [Applicable/Not Applicable]
 - (i) Optional Redemption Amount: [•] per Calculation Amount

- (ii) Optional Redemption Date: [•]
- (iii) Notice period for redemption at the option of the Noteholders: [Not Applicable / Not less than 15 nor more than 30 days' notice / [•]]
19. Tax Redemption Amount: If the Notes are redeemed as a result of the Issuer being required to pay Additional Amounts then the Redemption Amount will be [•] (*insert details*)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

20. [Applicability of Condition 8(e)
(*Consequences of a Renminbi Currency Event*) (*insert in the case of Renminbi Notes only*)] [Applicable/Not Applicable]
21. Form of Notes: Registered Notes⁸:

[[Unrestricted Global Note] registered in the name of a nominee for [DTC/a common depository for Euroclear, Clearstream Luxembourg [and Clearstream Frankfurt]/a common safekeeper for Euroclear and Clearstream Luxembourg]]

[[Restricted Global Note] registered in the name of a nominee for [DTC]]

[Unified Global Note]
22. New Global Note: [Yes/No/Not Applicable]
23. New Safekeeping Structure: [Yes/No/Not Applicable]
24. Business Days: [•]⁹
[•]¹⁰
25. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes. The talons mature on [•] / No.]

[THIRD PARTY INFORMATION]

[•] has been extracted from [•]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [•], no facts have been omitted which would render the reproduction inaccurate or misleading.]

[LISTING AND ADMISSION TO TRADING APPLICATION]

These Final Terms comprise the final terms required for the Notes described herein to be [listed on the official list and admitted to trading on the Irish Stock Exchange's Main Securities Market] [admitted to trading on the Luxembourg Stock Exchange's regulated market] pursuant to the Euro Note Programme of

⁸ Notes may be issued in bearer form also, subject to the receipt of written pre-approval by the UBS Group Tax-Americas.
Optional wording for bearer Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes on [45] days' notice/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for definitive Notes]

[Permanent Global Note exchangeable for definitive Notes on [45] days' notice/in the limited circumstances specified in the Permanent Global Note]

⁹ Insert the relevant financial centre.

¹⁰ Insert the relevant currency.

UBS AG.]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1. LISTING

- (i) Listing [Luxembourg/Ireland]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on the regulated market of [Luxembourg/Ireland] with effect from [•].]
- (Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)*

2. RATINGS

[[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:

[Standard & Poor's Credit Market Services France SAS: [•]]

[Moody's Investors Service Ltd.: [•]]

[Fitch Ratings Ltd.: [•]]

[Scope Ratings AG: [•]]

[[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.*

[Need to 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.)

*[Insert legal name of particular credit rating agency entity providing rating] is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").*

*[Insert legal name of particular credit rating agency entity providing rating] is established in the European Union and is not registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").*

*[Insert legal name of particular credit rating agency entity providing rating] is not established in the European Union but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the European Union and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA***

Regulation").

[Insert legal name of particular credit rating agency entity providing rating] is not established in the European Union but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

[Insert legal name of particular credit rating agency entity providing rating] is not established in the European Union and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the CRA Regulation.

In Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act 2001 of Australia ("**Corporations Act**") and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive the Base Prospectus or these Final Terms and anyone who receives the Base Prospectus and these Final Terms must not distribute it to any person who is not entitled to receive it.

3. **INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

[Save as discussed in "*Subscription and Sale*" in the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer./[•]/Not Applicable]

4. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer

[The net proceeds will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS Group, in each case outside Switzerland unless use in

Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland (*insert in the case of an issuance by a Branch*) / The net proceeds will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS Group (*insert in the case of an issuance by the UBS Head Office*).]

(ii) Estimated net proceeds:

[•]

(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)

(iii) [Estimated total expenses/
Estimated total expenses related
to the admission to trading
(*Include this option for
wholesale notes only*)]:

[•]

[Include breakdown of expenses.]

5. **[FIXED RATE NOTES ONLY - YIELD]**

Indication of yield:

[•]

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[FLOATING RATE NOTES - HISTORIC INTEREST RATES]**

Details of historic [BBSW / CDOR / EURIBOR / HIBOR / JPY TSR / LIBOR / NIBOR / SHIBOR / SOR / STIBOR / U.S. Federal Funds Rate] [rates] can be obtained from [Reuters/other].]

7. **OPERATIONAL INFORMATION**

CUSIP:

[•]

ISIN Code:

[•]

Common Code:

[•]

Swiss Valor:

[•]

Intended to be held in a manner which
would allow Eurosystem eligibility:

[Not Applicable] /

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper),][*include this text for Registered Notes*] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem

monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met] /

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper),][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met]

Any clearing system(s) and the relevant identification number(s) (if applicable):

[Not Applicable]/ [Euroclear Bank S.A./N.V. / Clearstream Banking, société anonyme / Clearstream Banking AG / DTC/ *[give name(s) and number(s)]*]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[Not Applicable/[•]]

8. DISTRIBUTION

(i) Method of distribution

[Syndicated/Non-syndicated]

(ii) If syndicated, names and address of Managers and underwriting commitments:

[Not Applicable/*give names*]

(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)

(iii) Date of Subscription Agreement:

[•]

(iv) Stabilisation Manager(s) (if any):

[Not Applicable/*give name*]

If non-syndicated, name and address of Dealer:

[UBS Limited/[•]]

[Total commission and concession:

[•] per cent. of the Aggregate Nominal Amount]

U.S. Selling Restrictions ¹¹ :	[Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable; Rule 144A]
ERISA	Eligible:[Yes/No][<i>Select "yes" for Notes whose terms provide for payment in full if principal at their stated maturity</i>]
Withholding under Section 871(m):	[Not applicable] ¹² [The Notes are subject to U.S. federal withholding tax under Section 871(m).] [Additional information regarding the application of Section 871(m) to the Notes will be available at [•]]
Public Offer:	[Applicable][Not Applicable] (<i>If not applicable, delete the remaining placeholders of this sub-paragraph (vi) and also paragraph [9] below</i>)
Public Offer Jurisdictions	[<i>Specify relevant Member State(s) where the Issuer intends to make the Public Offer (where the Base Prospectus lists the Public Offer Jurisdictions, select from that list) which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)</i>]
Offer Period:	[Specify date] until [specify date] (<i>In Austria the Offer Period will not commence until the day after the registration of these Final Terms with the registration office (Meldestelle) has been duly made, as required under the Austrian Capital Markets Act.</i>)
Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the conditions in it:	[<i>Insert names and addresses of financial intermediaries receiving consent (specific consent)</i>]
General Consent:	[Not Applicable][Applicable]
Other Authorised Offeror Terms:	[Not Applicable][<i>Add here any other Authorised Offeror Terms.</i>] (<i>Authorised Offeror Terms should only be included here where General Consent is Applicable</i>)
Prohibition of sales to EEA Retail Investors:	[Applicable]/[Not Applicable] (<i>If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged"</i>)

¹¹ TEFRA may be applicable where Notes are issued in bearer form. In such cases written pre-approval by the UBS Group Tax-Americas is required.

¹² The Notes should not be subject to U.S. federal withholding tax under Section 871(m), if they (i) do not reference any U.S. equity or any index that contains any U.S. equity (ii) reference indices considered to be "qualified indices" for purposes of Section 871(m) or (iii) are Non-Delta-One Notes and are issued prior to 1 January 2018. Delta-One Notes issued on or after 1 January 2017 or Non-Delta-One Notes issued on or after 1 January 2018 that reference a U.S. equity or index that contains any U.S. equity are subject to additional testing on a trade-by-trade basis to determine whether they are Section 871(m) Notes.

products and no key information document required by the PRIIPs Regulation will be prepared, "Applicable" should be specified.)

9. **TERMS AND CONDITIONS OF THE OFFER**

Offer Price:	[Issue Price] <i>[specify]</i>
Conditions to which the offer is subject:	[Not Applicable/ <i>give details</i>]
Description of the application process:	[Not Applicable/ <i>give details</i>]
Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i>]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i>]
Details of the method and time limits for paying up and delivering the Notes:	[Not Applicable/ <i>give details</i>]
Manner in and date on which results of the offer are to be made public:	[Not Applicable/ <i>give details</i>]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable/ <i>give details</i>]
Whether tranche(s) have been reserved for certain countries:	[Not Applicable/ <i>give details</i>]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[Not Applicable/ <i>give details</i>]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[Not Applicable/ <i>give details</i>]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place	[None / <i>give details</i>]
[Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment:]	[None/ <i>give details</i>]

[SUMMARY OF THE ISSUE]

This summary relates to [*insert description of Notes*] described in the final terms (the "**Final Terms**") to which this summary is annexed. This summary contains that information from the summary set out in the Base Prospectus which is relevant to the Notes together with the relevant information from the Final Terms. Words and expressions defined in the Final Terms and the Base Prospectus have the same meaning in this summary.

[*Insert completed summary by completing the relevant italicised items in the summary of the base prospectus as appropriate to the terms of the specific issue.*]]¹³

¹³

Not required in case of a wholesale issuance of Notes.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC AS AMENDED FOR THE ISSUE OF NOTES DESCRIBED BELOW

[PROHIBITION OF SALES TO EEA RETAIL INVESTORS - The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, 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 the Prospectus Directive (as defined below). 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.]¹⁴

PRO FORMA PRICING SUPPLEMENT

The Pricing Supplement dated [•]

**UBS AG,
acting through its [head offices in Basel and Zurich] [[•] branch]**

*Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the Euro Note Programme*

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Listing Particulars dated 31 May 2017 [and the supplemental Listing Particulars] dated [•] which [together] constitute[s] a base listing particulars for the purposes of [trading and listing on the SIX Swiss Exchange/admission to trading on the [Global Exchange Market of the Irish Stock Exchange/Luxembourg Stock Exchange's Euro MTF Market/other non regulated market][the issue of unlisted Notes]. This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with such Base Listing Particulars [as so supplemented][, which together constitute the listing prospectus with respect to the Notes described herein for the purposes of the listing rules of the SIX Swiss Exchange]¹⁵.

Full information on the Issuer and the offer of the Notes described herein is only available on the basis of the combination of this Pricing Supplement and the Base Listing Particulars [as so supplemented]. The Base Listing Particulars [and the supplemental Listing Particulars] [is] [are] [available for viewing at www.ise.ie / other - please specify] and copies may be obtained from the offices of the Paying Agents, The Bank of New York Mellon, acting through its London Branch, One Canada Square, London E14 5AL, The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building - Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg and The Bank of New York Mellon SA/NV Dublin Branch, 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.] [are available at UBS Investment Bank, a business division of UBS AG, P.O. Box CH-8001, Zurich, Switzerland, or can be ordered by telephone (+41 44 239 47 03), fax (+41 44 239 69 14) or by e-mail to swiss-prospectus@ubs.com.]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Listing Particulars with an earlier date.

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Base Listing Particulars dated [original date] [and the supplemental Base Listing Particulars dated [•]]. This document constitutes the Pricing Supplement of the Notes described herein for the purposes of [trading and listing on the SIX Swiss Exchange/admission to trading on the [Global Exchange Market of the Irish Stock Exchange/Luxembourg Stock Exchange's Euro MTF Market/other - please specify][the issue of unlisted Notes] and must be read in conjunction with the Base

¹⁴ Include where Part B item 8 (*Prohibition of sales to EEA Retail Investors*) of the Pricing Supplement specifies "Applicable".

¹⁵ In the case of SIX-listed Notes.

Listing Particulars dated 31 May 2017 [and the supplemental Listing Particulars dated [date]], save in respect of the Conditions which are extracted from the Base Listing Particulars dated [original date] and are attached hereto [, which together constitute the listing prospectus with respect to the Notes described herein for the purposes of the listing rules of the SIX Swiss Exchange]¹⁶. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Listing Particulars dated [original date] and 31 May 2017 [and the supplemental Listing Particulars dated [•]]. [The Base Listing Particulars [and the supplemental Listing Particulars] are available for viewing at [www.ise.ie] / other - please specify]] and copies may be obtained from the offices of the Paying Agents, The Bank of New York Mellon, acting through its London Branch, One Canada Square, London E14 5AL, The Bank of New York Mellon SA/NV, Luxembourg Branch, Vertigo Building - Polaris, 2-4 rue Eugène Ruppert, L-2453 Luxembourg and The Bank of New York Mellon SA/NV Dublin Branch, 4th Floor, Hanover Building, Windmill Lane, Dublin 2, Ireland.] [are available at UBS Investment Bank, a business division of UBS AG, P.O. Box CH-8001, Zurich, Switzerland, or can be ordered by telephone (+41 44 239 47 03), fax (+41 44 239 69 14) or by e-mail to swiss-prospectusubs.com.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). *Italics denote guidance for completing this Pricing Supplement.*]

1. Issuer: UBS AG, acting through its [head offices in Basel and Zurich][[•] branch]
2. (i) Series Number: [number/year, e.g. 1/00]
 - (ii) Tranche Number: [number, e.g. 1]
 - (ii) Date on which the Notes become fungible: Not Applicable / The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [•] on the [Issue Date/ [specify date]]
3. Currency or Currencies: [•]
4. Aggregate Nominal Amount:
 - (i) Series: [•]
 - (ii) Tranche: [•]
5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
6. (i) Specified Denominations: [Bearer Notes/Uncertificated SIS Notes]

[currency/amount for each denomination]

[Registered Notes]

[The Notes may be issued, traded and redeemed in integral multiples of currency/amount (e.g. US\$1,000) subject to a minimum lot of currency/amount (e.g. US\$100,000)]

[Notes which may be listed on the Irish Stock Exchange's Global Exchange Market and/or the Euro MTF Market of the Luxembourg Stock Exchange and/or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system situated or

¹⁶

In the case of SIX-listed Notes.

operating in a member state of the European Union may not have a minimum denomination of less than €1,000 (or nearly equivalent in another currency).]

*[If the Notes will be issued in or into Australia, the denominations may be any amount **provided that** the minimum aggregate consideration payable by each offeree is at least A\$500,000 (or the equivalent in another currency, in either case disregarding moneys lent by the offeror or to its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia.]*

- | | | |
|-----|--|--|
| | (ii) Calculation Amount: | [•] |
| 7. | [(i) Issue Date: | [day/month/year] |
| | (ii) Interest Commencement Date: | [day/month/year] |
| 8. | Maturity Date: | [day/month/year] [For Floating Rate Notes, the Interest Payment Date falling in or nearest to [specify month and year]] ¹⁷ |
| 9. | Interest Basis: | <p>[[•] per cent. Fixed Rate]</p> <p>[[BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY TSR] / [LIBOR] / [NIBOR] / [SHIBOR] / [SOR] / [STIBOR] / [U.S. Federal Funds Rate] / [other]] +/- [•] per cent. Floating Rate]</p> <p>[Zero Coupon]</p> <p>[Index Linked Interest]</p> <p>[Other (specify)]</p> <p>(see paragraph [16/17/18/19/20] below)</p> |
| 10. | Redemption/Payment Basis: | <p>[Redemption at par, subject to any purchase and cancellation or early redemption / Partly Paid / Instalment]</p> <p>[Index Linked Redemption] [Dual Currency]</p> <p>[Other (specify)]</p> |
| 11. | Change of Interest or Redemption/Payment Basis: | [Not Applicable / Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis] |
| 12. | Put/Call Options: | [Not Applicable / Investor Put / Issuer Call] [(further particulars specified below)] |
| 13. | Status of the Notes: | [Senior/Subordinated] |
| 14. | [Date [Board] approval for issuance of Notes obtained: | <p>[•] [and [•], respectively]]</p> <p><i>(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)</i></p> |
| 15. | Method of distribution: | [Syndicated/Non syndicated] |

¹⁷ Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where Interest Payment Dates are subject to modification it will be necessary to use the second option here.

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: [Applicable/Not applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable [annually/semi-annually/quarterly/monthly/other (*specify*)] in arrear
- (ii) Interest Payment Date(s): [•] in each year [adjusted [for payment purposes only] in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/not adjusted]
- (iii) Fixed Coupon ¹⁸ [•] per Calculation Amount Amount[(s)]:
- (iv) [Party responsible for calculating the Fixed Coupon Amounts(s):] [*Include this item for Renminbi Notes only: The Agent/[•] shall be the Calculation Agent*]
- (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 which do not correspond with the Fixed Coupon Amount(s)*]
- (vi) Day Count Fraction: [30/360/(Actual/Actual (ICMA/ISDA))/(Actual/365 (Fixed))/(any other)]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [*give details*]
17. Floating Rate Note Provisions: [Applicable/Not applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Specified Period: [[•]/Not Applicable]
(Specified Interest Period and Interest Payment Dates are alternatives. A Specified Period, rather than Interest Payment Dates will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise select "Not Applicable".)
- (ii) Interest Payment Dates: [[*insert details of the dates on which interest will be paid*]/[Not Applicable]]
(Specified Period and Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, the Floating Rate Convention or Eurodollar Convention, select "Not Applicable".)

¹⁸

For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification, the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 for the case of Renminbi denominated Fixed Rate Notes, for the case of Renminbi denominated Fixed Rate Notes to the nearest HK\$0.01, HK\$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

- (iii) Business Day Convention: [FRN Convention/Following Business Day Convention/Modified Following Business Day/*any other*]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*any other*]
- (v) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): [•]
- (vi) If ISDA Determination:
- (a) Floating Rate Option:
- (b) Designated Maturity:
- (c) Reset Date(s):
- [(d) ISDA Definition: [2000 ISDA Definition / 2006 ISDA Definition]
- (vii) if Screen Rate Determination
- (a) Reference Rate: [BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY TSR] / [LIBOR] / [NIBOR] / [SHIBOR] / [SOR] / [STIBOR] / [U.S. Federal Funds Rate] / [*other*]
- (b) Interest Determination Date:
- (c) Relevant Screen Page:
- (viii) Margin(s): [+/-][•] per cent. per annum
- (ix) Minimum Rate of Interest: [•]
- (x) Maximum Rate of Interest: [•]
- (xi) Day Count Fraction: [30/360
Actual/360 Actual/365
Actual/Actual (ICMA)
Actual/Actual (ISDA)
any other]
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on floating Rate Notes, if different from those set out in the Conditions and the Agency Agreement: [•]
18. Zero Coupon Note Provisions: [Applicable/Not applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Accrual Yield: [•] per cent. per annum
- (ii) Reference Price: [•]

- (iii) Any other formula/basis of determining amount payable: *[e.g. consider whether it is necessary to specify an alternative Day Count Fraction]*
19. Index/Credit-Linked Note Provisions¹⁹: *[Applicable/Not applicable]*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/formula: *[(give or annex details)]*
- (ii) Calculation Agent responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): *[•]*
- (iii) Provisions for determining coupon or redemption amount where calculation by reference to Index and/or formula is impossible or impracticable: *[•]*
- (iv) Interest Period(s): *[•]*
- (v) Specified Interest *[•]*
- (vi) [FRN Convention/Following Business Day Convention/Modified Following Business Convention/Preceding Business Day Convention/other *(give details)*]
- (vii) Minimum Rate of *[•] Interest:*
- (viii) Maximum Rate of *[•] Interest:*
- (ix) Day Count Fraction: *[Insert Day Count Fraction and if not defined in the Conditions, define it here.]*
20. Dual Currency Note Provisions: *[Applicable/Not applicable]*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: *[(give details)]*
- (ii) Calculation Agent responsible for calculating the Rates(s) of Interest and Interest Amount(s) (not the Agent): *[•]*
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[•]*
- (iv) Person at whose option *[•]*

¹⁹

Where there is an option for physical settlement and the underlying index/security contains/is one or more securities in bearer form, such Index/Credit Linked Note may only be issued subject to the receipt of written pre-approval by UBS Group Tax-Americas.

Currency(ies) is/are payable:

PROVISIONS RELATING TO REDEMPTION

- | | | |
|-----|---|--|
| 21. | Redemption Amount: | <p>[currency/amount e.g. US\$1,000,000]
[•] per cent.</p> <p><i>Other (insert details, e.g. to be determined in accordance with the following formula [•])</i></p> |
| 22. | Redemption at the option of the Issuer: | [Applicable/Not Applicable] |
| 23. | Redemption at the option of the Noteholders: | [Applicable/Not Applicable] |
| 24. | Tax Redemption Amount: | If the Notes are redeemed as a result of the Issuer being required to pay Additional Amounts then the Redemption Amount will be [•] (<i>insert details</i>) |
| 25. | Optional Redemption Amount: | <p>[•] per Calculation Amount</p> <p><i>[(Insert details (e.g. to be determined in accordance with the following formula [•]))]</i></p> |
| 26. | Optional Redemption Date: | [•] |
| 27. | Notice period for notice to the Noteholders in the case of redemption at the option of the Issuer: | [Not Applicable / Not less than 15 nor more than 35 days' notice / [•]] |
| 28. | Notice period for redemption at the option of the Noteholders: | [Not Applicable / Not less than 15 nor more than 30 days' notice / [•]] |
| 29. | Minimum/Higher Redemption Amount: | [•] |
| 30. | Other Redemption details: | <i>[(Insert details)]</i> |
| 31. | Final Redemption Amount of each Note ²⁰ : | [•] per Calculation Amount |
| | In cases where the Final Redemption Amount is Index-Linked or other variable-linked: | [[•] per Note of [•] specified denomination/ other/see Appendix] |
| | (i) Index/Formula/variable: | <i>[give or annex details]</i> |
| | (ii) Calculation Agent responsible for calculating the Final Redemption Amount: | [•] |
| | (iii) Provisions for determining Final Redemption amount where calculated by reference to Index and/or Formula and/or other variable: | [•] |
| | (iv) Determination Date(s): | [•] |

²⁰

Where there is an option for physical settlement and the underlying index/security contains/is one or more securities in bearer form, such Index/Credit Linked Note may only be issued subject to the receipt of written pre-approval by UBS Group Tax-Americas.

- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Payment Date: [•]
- (vii) Minimum Final Redemption Amount: [•] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [•] per Calculation Amount
32. Early Redemption Amount: [•]
- Early Redemption Amount(s) of each Note payable on event of default or other early redemption and/or the method of calculating the same: [•] (specify if different from that set out in the Conditions)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

33. [Applicability of Condition 8(e) (Consequences of a Renminbi Currency Event)] [Applicable/Not Applicable]
- (insert in the case of Renminbi Notes only)*
34. Form of Notes: Registered Notes²¹:
- [[Unrestricted Global Note] registered in the name of a nominee for [DTC/a common depositary for Euroclear, Clearstream Luxembourg [and Clearstream Frankfurt]/a common safekeeper for Euroclear and Clearstream Luxembourg]]
- [[Restricted Global Note] registered in the name of a nominee for [DTC]]
- [Unified Global Note]
- [in the case of SIS Notes issued by the Issuer acting through its head offices in Basel and Zurich: Uncertificated SIS Notes]*

²¹ Notes may be issued in bearer form also, subject to the receipt of written pre-approval by the UBS Group Tax-Americas.
Optional wording for bearer Notes:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for definitive Notes on [45] days' notice/in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for definitive Notes]

[Permanent Global Note exchangeable for definitive Notes on [45] days' notice/in the limited circumstances specified in the Permanent Global Note]

[in the case of SIS Notes issued by the Issuer acting through a non-Swiss branch: Bearer SIS Notes]

(No Bearer SIS Notes are to be issued by the Issuer acting through its head offices in Basel and Zurich)

- | | | |
|-----|---|---|
| 35. | New Global Note: | [Yes/No/Not Applicable] |
| 36. | New Safekeeping Structure: | [Yes/No/Not Applicable] |
| 37. | Business Days: | <i>[Insert Financial Centres]</i>
<i>[Insert Currencies - e.g. US\$ and CHF]</i> |
| 38. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes. The talons mature on [•] / No.] |
| 39. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | [Not Applicable/give details] |
| 40. | Redenomination applicable: | [Yes/No]
<i>[(specify any modifications)]</i> |
| 41. | Exchangeability applicable: | [Yes/No]
<i>[(specify any modifications)]</i> |
| 42. | Other final terms or special conditions: | [Not Applicable/give details]

<i>[Where the Notes are to be issued into Australia (other than by UBS AG Australia Branch) and it is necessary or intended that the Notes should satisfy the requirements of Prudential Standard GPS 120, additional terms/provisions will need to be incorporated to ensure that the Notes are (1) in registered form, (2) evidenced by entries in a register kept in Australia, (3) cleared through the "Austraclear system", (4) constituted by an Australian law governed deed poll kept in Australia and (5) expressed to be payable in Australia except where prohibited by law.]</i> |

[LISTING AND ADMISSION TO TRADING APPLICATION]

This Pricing Supplement comprises the final terms required for the Notes described herein to be [listed on the official list and admitted to trading on the Irish Stock Exchange's Global Exchange Market] [admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange] [admitted to trading and listed on the SIX Swiss Exchange] *[specify any other non-regulated market]* pursuant to the Euro Note Programme of UBS AG.]

GOVERNING LAW

[Insert in the case of Notes which are not SIS Notes: English law][insert in the case of Subordinated Notes: except for, in the case of Subordinated Notes, Condition 5(b) (Status of the Notes - In the case of Subordinated Notes), which is governed by Swiss law][Insert in the case of SIS Notes: Swiss law.]

PLACE OF JURISDICTION

[Insert in the case of Notes which are not SIS Notes: England][Insert in the case of SIS Notes: Zurich]

Signed on behalf of the Issuer:

By:

Duly authorised

PART B - OTHER INFORMATION

1. LISTING

- | | |
|----------------------------|--|
| (i) Listing | [Luxembourg - Euro MTF/Ireland Global Exchange Market/SIX Swiss Exchange, other (specify)/None] |
| (ii) Admission to trading: | <p>[Application has been made for the Notes to be admitted to trading on [•] with effect from [•].]
 [The Notes have been provisionally admitted to trading with effect from [•].] [Not Applicable.]</p> <p><i>(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)</i></p> |
| [(iii) Period of trading:] | [First trading date until] <i>(Include for SIX listed Notes.)</i> |

2. RATINGS

- | | |
|---|---|
| Ratings: | The Notes to be issued have been rated: |
| [Standard & Poor's Credit Market Services France SAS: | [•]] |
| [Moody's Investors Service Ltd.: | [•]] |
| [Fitch Ratings Ltd.: | [•]] |
| [Scope Ratings AG: | [•]] |
| [[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.*

[Need to 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 Australia, credit ratings are for distribution only to a person (a) who is not a "retail client" within the meaning of section 761G of the Corporations Act 2001 of Australia ("**Corporations Act**") and is also a sophisticated investor, professional investor or other investor in respect of whom disclosure is not required under Part 6D.2 or 7.9 of the Corporations Act, and (b) who is otherwise permitted to receive credit ratings in accordance with applicable law in any jurisdiction in which the person may be located. Anyone who is not such a person is not entitled to receive the Base Listing Particulars or this Pricing Supplement and anyone who receives the Base Listing Particulars and this

Pricing Supplement must not distribute it to any person who is not entitled to receive it.

3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE
[ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

[Save as discussed in "Subscription and Sale" in the Base Listing Particulars, so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer./[•]]

4. **[REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL
EXPENSES]**

[(i) Reasons for the offer	[The net proceeds will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS Group, in each case outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland (<i>insert in the case of an issuance by a Branch</i>) / The net proceeds will be used by the Issuer for its general corporate purposes or towards meeting the general financing requirements of the UBS Group (<i>insert in the case of an issuance by the UBS Head Office</i>) / Other]
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[(ii) Estimated net proceeds:	[•]
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[(iii) Estimated total expenses:	[•]
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5. **DISTRIBUTION**

(i) If syndicated, names and address of Managers and underwriting commitments:	[Not Applicable/give names] (<i>Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.</i>)
--	---

(ii) Date of Subscription Agreement:	[•]
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(iii) Stabilising Manager (if any):	[•]
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If non-syndicated, name and address:	[UBS Limited]
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[Total commission and concession:	[•] per cent. of the Aggregate Nominal Amount]
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U.S. Selling Restrictions ²² :	[Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable; Rule 144A]
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ERISA	Eligible: [Yes/No][<i>Select "yes" for Notes whose terms provide for payment in full of principal at</i>
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²² TEFRA may be applicable where Notes are issued in bearer form or for Index/Credit Linked Notes where there is an option for physical settlement and the underlying index/security contains/is one or more securities in bearer form. In such cases written pre-approval by the UBS Group Tax-Americas is required.

their stated maturity or if otherwise an ERISA Plan may purchase, hold or hold any interest in the Notes]

Withholding under Section 871(m): [Not applicable]²³[The Notes are subject to U.S. federal withholding tax under Section 871(m).] [Additional information regarding the application of Section 871(m) to the Notes will be available at [●]]

Prohibition of sales to EEA Retail Investors: [Applicable]/[Not Applicable]

(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no key information document required by the PRIIPs Regulation will be prepared, "Applicable" should be specified.)

Additional selling restrictions: [Not Applicable/give details]

6. **RESPONSIBILITY STATEMENT AND THIRD PARTY INFORMATION**

The Issuer accepts responsibility for the information contained in [the Base Listing Particulars as amended and supplemented as of the date hereof and]²⁴ this Pricing Supplement. [To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in the Base Listing Particulars as amended and supplemented as of the date hereof together with this Pricing Supplement is correct and no material facts or circumstances have been omitted therefrom.]²⁵ [[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduction inaccurate or misleading.]

(In the case of SIX-listed Notes, insert the section below entitled "Material Changes".)

[MATERIAL CHANGES]

Except as disclosed in the Base Listing Particulars as amended and supplemented as of the date hereof, no material changes have occurred in the Issuer's assets and liabilities, financial position or profits and losses since *[insert the balance sheet date of the Issuer's most recently published annual or interim financial statements].*

7. **[FIXED RATE NOTES ONLY - YIELD]**

Indication of yield: [●]

Calculated as *[include details of method of calculation in summary form]* on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an

²³ The Notes should not be subject to U.S. federal withholding tax under Section 871(m), if they (i) do not reference any U.S. equity or any index that contains any U.S. equity (ii) reference indices considered to be "qualified indices" for purposes of Section 871(m) or (iii) are Non-Delta-One Notes and are issued prior to 1 January 2018. Delta-One Notes issued on or after 1 January 2017 or Non-Delta-One Notes issued on or after 1 January 2018 that reference a U.S. equity or index that contains any U.S. equity are subject to additional testing on a trade-by-trade basis to determine whether they are Section 871(m) Notes.

²⁴ Insert in the case of SIX-listed Notes.

²⁵ Insert in the case of SIX-listed Notes.

indication of future yield.]

8. **[FLOATING RATE NOTES - HISTORIC INTEREST RATES**

Details of historic [[BBSW] / [CDOR] / [EURIBOR] / [HIBOR] / [JPY TSR] / [LIBOR] / [NIBOR] / [SHIBOR] / [SOR] / [STIBOR] / [U.S. Federal Funds Rate]/ [other]] rates can be obtained from [Reuters / other].]

9. **[INDEX-LINKED OR OTHER VARIABLE-LINKED NOTES ONLY - PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

Need to include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is a security need to include the name of the issuer of the security, the ISIN (International Security Identification Number) or other such security identification code and the name of the trading venue where the underlying is admitted to trading. Where the underlying is an interest rate need to include a description of the interest rate. Where the underlying is a basket of underlyings need to include disclosure of the relative weightings of each underlying in the basket. Where the underlying is not an index, a security or an interest rate need to include equivalent information.] Need to include details of any adjustment rules with relation to events concerning the underlying.]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information]

10. **[DUAL CURRENCY NOTES ONLY - PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

11. **OPERATIONAL INFORMATION**

CUSIP: [•]

ISIN Code: [•]

Common Code: [•]

Swiss Valor: [•]

Intended to be held in a manner which would allow Eurosystem eligibility: [Not Applicable] /

[Yes. Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper),][include this text for Registered Notes] and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the European Central Bank being

satisfied that Eurosystem eligibility criteria have been met] /

[No. Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper),][*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the European Central Bank being satisfied that Eurosystem eligibility criteria have been met]

Any clearing system(s) and the relevant identification number(s) (if applicable):

[Not Applicable]/ [Euroclear Bank S.A./N.V. / Clearstream Banking société anonyme / Clearstream Banking AG / DTC / SIX SIS Ltd, Olten Switzerland / *give name(s) and number(s)*]

Delivery:

Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any):

[*Insert Swiss paying agent(s) for SIS Notes and specify principal Swiss paying agent, if applicable*]/[]

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. Prospective purchasers of Notes who are in any doubt as to their tax positions should consult their professional advisers.

SWITZERLAND

(a) Withholding tax

Notes issued by the Issuer acting through a non-Swiss branch: according to the present law and practice of the Swiss Federal Tax Administration, **provided that** the Issuer is recognised as a bank by the banking laws in force in the jurisdiction of the branch, effectively conducts banking activities and the net proceeds from the issue of Notes are used at all times while they are outstanding outside Switzerland, payments in respect of the Notes by the Issuer are not subject to Swiss withholding tax.

Notes issued by UBS Head Office: according to the present Swiss law and practice of the Swiss Federal Tax Administration, payments of interest on the Notes and payments which qualify as interest for Swiss withholding tax purposes, are subject to Swiss withholding tax at a rate of currently 35 per cent. If the respective requirements are met, the holder of a Note residing in Switzerland is entitled to a full refund or tax credit for the Swiss withholding tax whereas a holder of a Note who is not resident in Switzerland may be entitled to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, concluded between Switzerland and the country of residence of such holder.

Potential New Withholding Tax Legislation: 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.

(b) Transfer Stamp Tax

Notes issued by the Issuer acting through a non-Swiss branch: there is no transfer stamp tax liability in Switzerland in connection with the issue and redemption of the Notes.

Notes with a term of more than 12 months which are sold through 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), are subject to the Swiss securities transfer stamp tax (turnover tax) of presently 0.3 per cent. with some exceptions as detailed in the Swiss Federal Stamp Duty Law.

Notes issued by UBS Head Office: there is no transfer stamp tax liability in Switzerland in connection with the issue and redemption of the Notes.

Notes with a term of more than 12 months which are sold through 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), are subject to the Swiss securities transfer stamp tax (turnover tax) of presently 0.15 per cent. with some exceptions as detailed in the Swiss Federal Stamp Duty Law.

(c) Income Tax

Under current Swiss law, a Noteholder who is a non-resident of Switzerland and who, during the taxable year, has not engaged in trade or business through a permanent establishment or fixed place in Switzerland to which the Notes are attributable and who is not subject to taxation by

Switzerland for any other reason will not be subject to Swiss Federal, Cantonal or Municipal income or other tax on gains on the sale of, or payment received under, any Notes.

Notes without a "predominant one-time interest payment": Holders of Notes without a predominant onetime interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a one-time-interest-payment) who are individuals receive payments of interest on Notes (either in the form of periodic interest payments or as a one-time-interest-payment such as an issue discount or a repayment premium) are required to include such payments in their personal income tax return and will be taxable on any net taxable income (including the payments of interest on the Notes) for the relevant tax period.

Notes with a "predominant one-time interest payment": In the case of Notes with a "predominant one-time interest payment" (the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments), the positive difference (including any capital and foreign exchange gain) between the amount received upon sale or redemption and the issue price (if the Notes were purchased thereafter) will be classified as a taxable interest payment, as opposed to a tax-free capital gain (differential taxation method). Losses realised on the sale of Notes with a "predominant onetime interest payment" may be offset against gains realised within the same tax period on the sale of any notes with a "predominant one-time interest payment".

Swiss-resident, individual taxpayers who hold Notes as part of Swiss business assets and Swiss resident corporate taxpayers and individual or corporate taxpayers resident abroad holding Notes as part of a Swiss permanent establishment or a fixed place of business in Switzerland are required to recognise payment of the interests on the Notes and capital gains on sale of a Note in their income statement for the respective tax period and are taxable on any net taxable earnings for such period.

(d) Automatic Exchange of Information in Tax Matters

On November 19, 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 January 1, 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.

Based on such multilateral or 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 an 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 such data from 2018 or 2019.

AUSTRALIA

The following is a general summary of certain Australian withholding tax consequences under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, "Australian Tax Act"), Schedule 1 to the Taxation Administration Act 1953 of Australia and any relevant regulations, rulings or judicial or administrative announcements at the date of this Base Prospectus/Base Listing Particulars, of payments of interest and certain other amounts on Notes to be issued by UBS AG Australia Branch under the Programme and certain other matters. This summary does not apply to the Notes issued by UBS Head Office or any other Branch of the Issuer.

The summary is not exhaustive and should be treated with appropriate caution. In particular, the summary does not deal with the position of certain classes of Noteholders (including, without limitation,

dealers in securities, custodians or other third parties who hold the Notes on behalf of other persons). In addition, unless expressly stated, the summary does not consider the Australian tax consequences for persons who hold interests in the Notes through Austraclear, Euroclear, Clearstream Luxembourg, the CMU or another clearing system.

Prospective Noteholders should also be aware that particular terms of issue of any Series of Notes may affect the tax treatment of that and other Series of Notes. This summary is not intended to be, nor should it be construed as legal or tax advice to any particular investor. Prospective holders of the Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Notes in their particular circumstances.

1. INTRODUCTION

The Australian Tax Act characterises securities as either "debt interests" (for all entities) or "equity interests" (for companies) including for the purposes of interest withholding tax ("**IWT**") and dividend withholding tax. IWT is payable at a rate of 10 per cent. of the gross amount of interest paid by UBS AG Australia Branch to a non-resident of Australia (other than a non-resident acting at or through a permanent establishment in Australia) or a resident acting at or through a permanent establishment outside Australia unless an exemption is available. For these purposes, interest is defined in section 128A(1AB) of the Australian Tax Act to include amounts in the nature of, or in substitution for, interest and certain other amounts.

UBS AG Australia Branch intends to issue Notes which will be characterised as both "debt interests" and "debentures" for these purposes. If Notes are issued which are not so characterised, further information on the material Australian tax consequences of payments of interest and certain other amounts on those Notes will be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement (or another relevant supplement to this Base Prospectus/Base Listing Particulars).

2. INTEREST WITHHOLDING TAX

An exemption from IWT is available in respect of interest paid on the Notes if the requirements of section 128F of the Australian Tax Act are satisfied.

The requirements under section 128F for an exemption from IWT in respect of the Notes are as follows:

- (a) UBS AG is a company and non-resident of Australia carrying on business at or through a permanent establishment in Australia when it issues the Notes and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid.
- (b) the Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that UBS AG Australia Branch is offering those Notes for issue. In summary, the five methods are:
 - (i) offers to 10 or more unrelated financiers, securities dealers or entities that carry on the business of investing in securities;
 - (ii) offers to 100 or more investors of a certain type;
 - (iii) offers of listed Notes;
 - (iv) offers via publicly available information sources; and
 - (v) offers to a dealer, manager or underwriter who offers to sell the Notes within 30 days by one of the preceding methods.

In addition, the issue of any of those Notes (whether global in form or otherwise) and the offering of interests in any of those Notes by one of these methods should satisfy the public offer test;

- (c) UBS AG does not know, or have reasonable grounds to suspect, at the time of issue, that the Notes or an interest in a Note was being, or would later be, acquired directly or indirectly by an "associate" of UBS AG, except as permitted by section 128F(5) of the Australian Tax Act; and
- (d) at the time of the payment of interest, UBS AG does not know, or have reasonable grounds to suspect, that the payee is an "associate" of UBS AG, except as permitted by section 128F(6) of the Australian Tax Act.

Exemptions under recent tax treaties

The Australian government has signed new or amended double tax conventions ("**New Treaties**") with a number of countries (each a "**Specified Country**") which contain exemptions from IWT. In broad terms, once implemented the New Treaties prevent IWT applying to interest derived by:

- the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; and
- a "financial institution" which is a resident of a "Specified Country" and which is unrelated to and dealing wholly independently with UBS AG. The term "**financial institution**" refers to either a bank or any other enterprise which substantially derives its profits by carrying on a business of raising and providing finance. However, interest paid under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.

The Australian Federal Treasury maintains a listing of Australia's double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation.

Compliance with section 128F of the Australian Tax Act

Unless otherwise specified in a relevant Final Terms, Drawdown Prospectus or Pricing Supplement (or another relevant supplement to this Base Prospectus/Base Listing Particulars), UBS AG Australia Branch intends to issue Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Notes in bearer form - Section 126 of the Australian Tax Act

Section 126 of the Australian Tax Act imposes a type of withholding tax (see below in relation to the rate) on the payment of interest on Notes in bearer form if UBS AG fails to disclose the names and addresses of the holders to the Australian Taxation Office. Section 126 does not apply to the payment of interest on Notes in bearer form held by non-residents who do not carry on business at or through a permanent establishment in Australia where the issue of those Bearer Notes has satisfied the requirements of section 128F of the Australian Tax Act or IWT is payable.

In addition, the Australian Taxation Office has confirmed that for the purpose of section 126 of the Australian Tax Act, the holder of debentures (such as Notes in bearer form) is the person in possession of the debentures. Section 126 is therefore limited in its application to persons in possession of Notes in bearer form who are residents of Australia or non-residents who are engaged in carrying on business in Australia at or through a permanent establishment in Australia. Where interests in the relevant Notes are held through the Euroclear, Clearstream Luxembourg or Clearstream Frankfurt systems, UBS AG Australia Branch intends to treat the operators of those clearing systems as the holders of the relevant Bearer Notes for the purposes of Section 126 of the Australian Tax Act.

The rate of withholding tax is 47 per cent for the 2016-17 income year and, under current law, will be reduced to 45 per cent following the 2016-17 income year.

3. OTHER TAX MATTERS

Under Australian laws as presently in effect:

- (A) *death duties* - no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- (B) *stamp duty and other taxes* - no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue, transfer or redemption of any Notes or transfer of any Notes;
- (C) *TFN withholding* - *withholding tax is imposed* (see below in relation to the rate of withholding tax) on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian Tax File Number ("**TFN**"), (in certain circumstances) an Australian Business Number ("**ABN**") or proof of some other exemption (as appropriate).

Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Notes, the TFN withholding rules do not apply to payments to a holder of Notes in registered form who is not a resident of Australia and not holding such Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Notes in registered form may be subject to a withholding where the holder of those Notes does not quote a TFN, ABN or proof of an appropriate exemption (as appropriate).

The rate of withholding tax is 49 per cent for the 2016-17 income year and, under current law, will be reduced to 47 per cent following the 2016-17 income year;

- (D) *supply withholding tax* - payments in respect of the Notes can be made free and clear of the "supply withholding tax" imposed pursuant to Section 12-190 of Schedule 1 to the TAA; and
- (E) *goods and services tax (GST)* - neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia on the basis that the supply of Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by UBS AG Australia Branch, nor the disposal of the Notes, would give rise to any GST liability in Australia.

UNITED KINGDOM

*The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the published practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement may affect the tax treatment of that and other series of Notes.*

The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser.

Noteholders who are in any doubt as to their tax position should consult their professional advisers.

Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of

other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

The following assumes that UBS AG is not resident in the United Kingdom for United Kingdom tax purposes, that (except in the case of Notes issued by UBS AG London Branch) UBS AG is not issuing the Notes for the purposes of a trade or other business carried on by it in the United Kingdom and that only interest on Notes issued by UBS AG London Branch has a United Kingdom source.

1. UK WITHHOLDING TAX ON UK SOURCE INTEREST

1.1 UK Notes listed on a recognised stock exchange

The Notes issued by UBS AG London Branch which carry a right to interest ("**UK Notes**") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on such UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax. Notes will be regarded as "listed on a recognised stock exchange" for this purpose if (and only if) they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000 ("**FSMA**")) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange. The Luxembourg Stock Exchange, Irish Stock Exchange and SIX Swiss Exchange are recognised stock exchanges. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange, the Global Exchange Market of the Irish Stock Exchange or the Main Standard of the SIX Swiss Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

1.2 All UK Notes

In addition to the exemption set out in 1.1 above, interest on the UK Notes which are not "regulatory capital securities" for the purpose of The Taxation of Regulatory Capital Securities Regulations 2013 may be paid without withholding or deduction for or on account of United Kingdom income tax so long as UBS AG London Branch is (a) a "bank" for the purposes of section 878 of the Income Tax Act 2007 or (b) authorised for the purposes of the FSMA and its business consists wholly or mainly of dealing in financial instruments (as defined by section 984 of the Income Tax Act 2007) as principal and so long as, in either case, such payments are made by UBS AG London Branch in the ordinary course of its business. In accordance with HMRC's Statement of Practice 4/96, such payments will be accepted as being made by UBS AG London Branch in the ordinary course of its business unless either:

- (i) the borrowing in question conforms to any of the definitions of additional tier 1 or tier 2 capital adopted by the Prudential Regulatory Authority of the Bank of England whether or not it actually counts towards additional tier 1, or tier 2 capital for regulatory purposes; or
- (ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

In the technical note published in December 2013 in connection with the introduction of the exemption for regulatory capital securities, HMRC announced that Statement of Practice 4/96 will be withdrawn in due course and guidance will be issued reflecting HMRC's view on certain matters referenced therein.

1.3 All other cases

In all cases falling outside the exemptions described in 1.1 and 1.2 above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is

paid on UK Notes with a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such UK Notes part of a borrowing with a total term of a year or more.

2. PAYMENTS UNDER DEED OF COVENANT

Any payments made by UBS AG London Branch under the Deed of Covenant may not qualify for the exemptions from UK withholding tax described in 1 above.

3. OTHER RULES RELATING TO UNITED KINGDOM WITHHOLDING TAX

UK Notes may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Notes should not be subject to any United Kingdom withholding tax pursuant to the provisions mentioned in 1 above.

Where UK Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "**interest**" in this summary of the United Kingdom withholding tax position mean "**interest**" as understood in United Kingdom tax law. The statements in this summary do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the relevant Final Terms, Drawdown Prospectus or Pricing Supplement of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. Noteholders or Couponholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 14 of the Notes and does not consider the tax consequences of any such substitution.

JERSEY

The following summary of the anticipated Jersey taxation treatment based on Jersey taxation law and practice as they are understood to apply at the date of this document and is subject to changes in such taxation law and practice. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice (including such tax law and practice as they apply to any land or building situate in Jersey). Prospective investors in the Notes should consult their professional advisers on the implications of acquiring, buying, selling or otherwise disposing of the Notes under the laws of any jurisdiction in which they may be liable to taxation.

Payments in respect of the Notes may be paid by the Issuer without withholding or deduction for or on account of Jersey income tax and holders of Notes (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Notes.

REPUBLIC OF AUSTRIA

This summary is based on Austrian tax laws as currently in force and as applied on the date of this Base Prospectus. The following comments reflect the Issuer's understanding of certain aspects of Austrian tax laws in connection with the acquisition, ownership and disposition of the Notes. They are of rather general nature and included herein solely for information purposes. They are not intended to be, nor should they be construed to be, legal or tax advice. For their particular case, prospective investors should consult their professional legal and tax advisors.

(i) General Remarks

Individuals resident in Austria are subject to Austrian income tax (*Einkommensteuer*) on their worldwide income (unlimited income tax liability). Individuals qualify as residents if they have either their permanent domicile and/or their habitual abode in Austria. Otherwise they are non-resident individuals subject to income tax only on income from certain Austrian sources (limited income tax liability).

Companies resident in Austria are subject to Austrian corporate income tax (*Körperschaftsteuer*) on their worldwide income (unlimited corporate income tax liability). Companies qualify as residents if they have their place of effective management and/or their legal seat in Austria. Otherwise they are non-residents subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability).

Under Austrian tax law, individuals are subject to income tax pursuant to the Austrian Income Tax Act 1988 (*Einkommensteuergesetz 1988*, Federal Law Gazette 1988/400 - "**ITA**") generally at progressive tax rates between 0 per cent. and 55 per cent. Corporate entities are subject to a corporate income tax at a rate of 25 per cent. pursuant to the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz 1988*, Federal Law Gazette 1988/401 - "**CITA**").

In case of unlimited and limited (corporate) income tax liability, Austria's right to levy taxes may be restricted by double taxation treaties.

There is no transfer tax, registration tax or similar tax payable in Austria by the holders of Notes as a consequence of the acquisition, ownership, disposition or redemption of Notes (when issued in bearer form only). The sale and purchase of Notes is not subject to Austrian stamp duty provided that no other transaction potentially taxable under the Federal Stamp Duty Act (*Gebührengesetz 1957*, Federal Law Gazette 1957/267 as amended) such as an assignment is entered into for which a document (*Urkunde*) within the meaning of the Stamp Duty Act is executed.

(ii) Fiscal Reform 2015/2016

Due to the fiscal reform enacted by Federal Law Gazette I 2015/118, certain tax rates have been changed with effect as of 1 January 2016. Inter alia, the highest progressive income tax rate has been raised to 55 per cent. for yearly taxable income exceeding EUR 1.000.000 (limited in time for the years 2016 to 2020). Further-more, the special tax rate applicable to investment income and capital gains derived from debt instruments such as the Notes has been raised to 27.5 per cent.

(iii) Austrian Residents

Income derived from Notes by individuals with a permanent domicile or their habitual abode in Austria or corporate entities having their corporate seat or place of management in Austria is taxable in Austria pursuant to the ITA or the CITA.

Austrian Resident Individuals

Income derived from debt instruments such as the Notes qualifies as investment income (*Einkünfte aus Kapitalvermögen*). Such income comprises not only current income, i.e. interest payments and similar earnings, but also "realised" capital gains (*Einkünfte aus realisierten Wertsteigerungen von Kapitalvermögen*) stemming from the sale or redemption of debt instruments, irrespective of whether they have been held as business or non-business assets and irrespective of whether the profits have been realised within a particular holding period (formerly, in case of individuals, only such profits stemming from securities which were held only for a period not exceeding one year were taxed). According to the relevant provisions of the ITA, "realised" capital gains principally consist in the difference (surplus)

between the proceeds from the sale or redemption of the debt instruments, i.e. their selling or redemption price, and their purchase price.

Such profits, i.e. current income and "realised" capital gains, are in principle subject to a special tax rate of 27.5 per cent. and will be deducted by the custodian bank or the paying office (*Kapitalertragsteuer*, Capital Proceeds Tax - "**CPT**"). However, as regards profits from debt instruments such as the Notes, the special tax rate will only apply in cases where the instruments have in the primary offering been offered to an undetermined number of people ("public offer"). This tax is in principle "final", which means that no further taxation will be allowed on such capital gains and that they do not have to be declared in other tax declarations of the taxpayer (in particular, a personal tax rate exceeding 27.5 per cent. will not apply). In case the taxpayer applies for regular taxation (*Regelbesteuerungsoption* - which he might do in case his personal tax rate is below 27.5 per cent.) or for the offsetting of losses (*Verlustausgleichsoption*), taxation is not final. The option for regular taxation may be exercised independently from the option for the offsetting of losses by filing a respective request to the tax office. It leads to an assessment for income tax and to the application of the regular, progressive income tax rate (currently amounting to a maximum of 55 per cent. for yearly taxable income exceeding EUR 1,000,000) on all taxable capital gains.

Further, pursuant to the relevant provisions of the ITA also the withdrawal or transfer of debt instruments such as the Notes from their current investor's securities account shall, as a general rule, equally trigger CPT, unless one of the exemptions contained in the ITA applies. These exemptions are all based on the idea that no CPT shall be deducted, in cases where the taxation of potential future profits stemming from the sale or redemption of the transferred debt instruments remains in fact possible. In addition, since 1 April 2012 amended exit tax rules (*Wegzugsbesteuerung*) apply, which are not discussed herein.

In its international dimension, the capital gains tax applies only and CPT will only be deducted, if either the custodian bank (*depotführende Stelle*) or - under certain conditions - the paying office (*auszahlende Stelle*) is located in Austria. A paying office may be any organisational entity of a bank which is capable to credit amounts of money to cash accounts of clients or to pay in cash. In most cases the paying office will be the bank with which the investor maintains his securities account. It is not the Paying Agent (as defined in the Programme documents). The term "custodian bank" refers to banks (its branches and offices) providing the securities account to the investor and not to any other bank up in the holding chain. The custodian bank or, if applicable, the paying office will be responsible for the deduction of the capital gains tax (CPT) and its transfer to the respective Austrian tax office.

To the extent that no CPT is deducted due to the lack of a custodian bank or a paying office located in Austria, the income derived from debt instruments such as the Notes must be included into the respective taxpayer's tax declaration, if such profits are received by an Austrian resident individual subject to unlimited income tax liability. In this case, the special tax rate of 27.5 per cent. applies equally.

Austrian Resident Corporate Investors

Resident corporate investors deriving business income from the Notes may avoid the deduction of CPT by filing a statement of exemption with the securities account keeping bank (or the paying office) and with the competent Austrian tax office to the fact that the payment received is due to a commercial enterprise subject to taxation in Austria (*Befreiungserklärung*). Income derived from the Notes by corporate investors (including any capital gains) is subject to corporate income tax at the general corporate income tax rate of 25 per cent. A special tax regime applies for private foundations (*Privatstiftungen*).

(iv) *Repeal of the EU Savings Tax Directive*

On 10 November 2015, the Council of the European Union adopted Council Directive (EU) 2015/2060 by which Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**") has been repealed with effect of 1 January 2016. The repeal was adopted as a consequence of the adoption by the Council in December 2014 of Directive 2014/107/EU amending provisions on the mandatory automatic exchange of information between tax administrations. In respect of Austria, however, special transitional periods applied and the EU Savings Tax Directive continued to apply with regard to Austria until 31 December 2016. Legislation implementing the repeal of the EU Savings Tax Directive and of the EU Withholding Tax Act (EU-Quellen-steuergesetz, Federal Law Gazette I 2004/33 – "**EU-QuStG**"), by which the EU Savings Tax Directive had been implemented in Austria, with effect of 1 January 2017 as well as other statutory adjustments regarding the limited income tax liability for

interest income applicable to non-resident individuals (see below) was adopted in Austria on 14 July 2016 by the EU Tax Amendment Act 2016 (EU-Abgabenänderungsgesetz 2016, Federal Law Gazette I 2016/77 – "EU-AbgÄG 2016").

(v) *Non-Resident Investors*

Due to the changes of the ITA imposed by the EU-AbgÄG 2016, as discussed above, since 1 January 2017 interest income falls within the limited income tax liability applicable to non-resident individuals in case the interest payment or the accrued interest is deemed "domestic" (section 98 para 1 no. 5 of the ITA as amended by the EU-AbgÄG 2016) and provided that CPT has to be deducted. This is the case if the paying office (*auszahlende Stelle*) or the custodian bank (*depotführende Stelle*) is located in Austria. Interest payments are deemed domestic in case the debtor's domicile, legal seat or place of effective management is located in Austria or in case the debtor is an Austrian branch of a foreign bank. Interest income derived from debt instruments (interest payments, accrued interest) is deemed domestic in case the debt instruments were issued by an Austrian issuer. For non-resident corporate entities deriving business income from Notes the current exemption in section 98 para 1 no. 5 of the ITA continues to apply pursuant to which interest payments and accrued interest which are not received by natural persons are exempt from the limited income tax liability. In addition, non-resident corporate investors deriving business income from Notes may avoid the deduction of CPT by filing a declaration of exemption (*Befreiungserklärung*) with the Austrian paying office and with the competent Austrian tax office, as section 94 no. 5 of the ITA has not been changed or amended. Furthermore, a new exemption applies in case interest income or accrued interest is received by individuals which are resident in countries in respect of which an automatic exchange of financial account information with Austria is implemented. Qualifying residency in such a country must be proven by a certificate of residence.

Applicable double taxation treaties may provide for a reduction of or relief from CPT.

In case non-residents receive income from Notes through an Austrian permanent establishment, they are to a large extent subject to the same tax treatment as resident investors.

Investors should consult their professional advisers to clarify their position.

(vi) *Other Taxes*

Due to a decision of the Austrian Constitutional Court (*Verfassungsgerichtshof*), the Austrian inheritance and gift tax (*Erbschafts- und Schenkungssteuer*) has been abolished with effect of 1 August 2008. However, pursuant to section 121a of the Federal Fiscal Code (*Bundesabgabenordnung*, Federal Law Gazette 1961/194 as amended), gifts exceeding certain amounts must be notified to the Austrian tax authorities within a three-month notification period. In addition, it should be mentioned that certain gratuitous transfers of assets to (Austrian or foreign) private law foundations and comparable legal estates are subject to foundation transfer tax (*Stiftungseingangssteuer*) pursuant to the Federal Foundation Transfer Act (*Stiftungseingangssteuergesetz*, Federal Law Gazette I 2008/85). This tax is triggered, if the transferor and/or the transferee at the time of transfer have a domicile, their habitual abode, their legal seat or their place of effective management in Austria. The tax is based on the market value of the transferred assets less any debt economically linked to these assets. In general, the applicable tax rate amounts to 2.5 per cent. However, in certain cases a higher tax rate of 25 per cent. applies.

BELGIUM

The following is a general description of the main Belgian withholding tax consequences for investors receiving interest in respect of the Notes to be issued by UBS AG Head Office, UBS AG Australia Branch, UBS Hong Kong Branch, UBS AG London Branch or UBS AG Jersey Branch. It does not purport to be a complete analysis of all tax considerations relating to the Notes. The general description is based upon the law as in effect on the date of this Base Prospectus/Base Listing Particulars and is subject to change potentially with retroactive effect. Investors should understand that, as a result of changing law or practice, the tax consequences may be different than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes under any laws applicable to them.

Withholding Tax

For Belgian tax purposes, the following amounts are qualified and taxable as "interest": (i) periodic interest income, (ii) amounts paid by the Issuer in excess of the issue price (whether or not on the maturity date and whether or not in cash and/or by physical delivery of a specified amount of one or more fund shares or units), and (iii) in case of a realisation of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period.

For the purposes of the following paragraphs, any such gains and accrued interest are therefore referred to as interest.

For Belgian tax purposes, if interest is in a foreign currency, it is converted into euro on the date of payment or attribution.

Individuals resident in Belgium

Payments of interest on the Notes made through a paying agent in Belgium will in principle be subject to a 30 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes). The Belgian withholding tax constitutes the final income tax for Belgian resident individuals. This means that they do not have to declare the interest obtained on the Notes in their personal income tax return, provided Belgian withholding tax was levied on these interest payments.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent, the interest received (after deduction of any non-Belgian withholding tax) must be declared in the personal income tax return and will be taxed at a flat rate of 30 per cent.

Other tax rules apply to Belgian resident individuals who do not hold the Notes as a private investment.

Belgian resident companies

Interest payments on the Notes made through a paying agent in Belgium to Belgian corporate investors will generally be subject to Belgian withholding tax, currently at a rate of 30 per cent. However, an exemption may apply provided that certain formalities are complied with. The exemption does not apply for income on zero coupon or capitalisation bonds. The Belgian withholding tax that has been levied is creditable in accordance with the applicable legal provisions.

Other Belgian legal entities

Payments of interest on the Notes made through a paying agent in Belgium will in principle be subject to a 30 per cent. withholding tax in Belgium and no further tax on legal entities will be due on the interest.

However, if the interest is paid outside Belgium without the intervention of a Belgian paying agent and without the deduction of Belgian withholding tax, the legal entity itself is responsible for the declaration and payment of the 30 per cent. withholding tax.

Belgian non-residents

The interest income on the Notes paid through a professional intermediary in Belgium will, in principle, be subject to a 30 per cent. withholding tax, unless the Note holder is resident in a country with which Belgium has concluded a double taxation agreement and delivers the requested affidavit. If the income is not collected through a financial institution or other intermediary established in Belgium, no Belgian withholding tax is due.

Non-resident investors that do not hold the Notes through a Belgian establishment can also obtain an exemption of Belgian withholding tax on interest from the Notes paid through a Belgian credit institution, a Belgian stock market company or a Belgian-recognised clearing or settlement institution, provided that they deliver an affidavit from such institution or company confirming (i) that the investors are non-residents, (ii) that the Notes are held in full ownership or in usufruct and (iii) that the Notes are not held for professional purposes in Belgium.

Tax on stock exchange and repurchase transactions

The acquisition of Notes upon their issuance (primary market) is not subject to the tax on stock exchange transactions (*Taxe sur les opérations de bourse, Taks op de beursverrichtingen*).

A stock exchange tax will be levied on the purchase and sale of the Notes on the secondary market carried out by a Belgian resident investor through a professional intermediary if (i) executed in Belgium through a professional intermediary, or (ii) deemed to be executed in Belgium, which is the case if the order is directly or indirectly made to a professional intermediary established outside of Belgium, either by private individuals having their usual residence in Belgium, or legal entities for the account of their seat or establishment in Belgium.

The rate applicable for secondary sales and purchases through a professional intermediary is 0.09 per cent. with a maximum amount of EUR 1,300 per transaction and per party. The tax is due separately from each party to any such transaction, i.e. the seller (transferor) and the purchaser (transferee), both collected by the professional intermediary.

However, if the intermediary is established outside of Belgium, the tax will in principle be due by the ordering private individual or legal entity, unless that individual or entity can demonstrate that the tax has already been paid. Professional intermediaries established outside of Belgium can, subject to certain conditions and formalities, appoint a Belgian representative for tax purposes, which will be liable for the tax on stock exchange transactions in respect of the transactions executed through the professional intermediary.

A tax on repurchase transactions (*Taks op de reportverrichtingen, taxe sur les reports*) at the rate of 0.085 per cent. will be due from each party to any such transaction entered into or settled carried out by a Belgian resident investor in which a stockbroker acts for either party (with a maximum amount of EUR 1,300 per transaction and per party).

An exemption is available for non-residents acting for their own account (subject to delivery of an affidavit confirming their non-resident status), and for certain Belgian institutional investors, as defined in Article 126/1, 2° of the Code of various duties and taxes (*Code des droits et taxes divers, Wetboek diverse rechten en taksen*) for the taxes on stock exchange transactions.

FRANCE

The following is a general description of certain French withholding tax considerations relating to the Notes to the extent that payments under the Notes would qualify as interest payments. It is not a description of general French tax considerations relating to the Notes. Prospective investors are advised to consult their own professional advisors to obtain information about the tax consequences of the acquisition, ownership, or disposition of the Notes. Only personal advisors are in a position to adequately take into account special tax aspects of the Notes as well as the Note holder's personal circumstances and any special tax treatment applicable to the Note holder. This summary is based on French law as in force when drawing up this Base Prospectus/Base Listing Particulars. The laws and their interpretation by the tax authorities may change and such changes may have retroactive effect.

Payments of interest and principal by the Issuer, acting out of its head offices or one of its non-French branch, under the Notes will not be viewed as French-source income and therefore will not be subject to withholding tax in France, in accordance with the applicable French law.

By exception, pursuant to Articles 125 A and 125 D of the French *Code Général des Impôts*, and subject to certain limited exceptions, interest and other similar revenues received by French tax resident individuals are subject to a 24 per cent. mandatory (non-final) withholding tax. If applicable, this withholding tax is creditable against the applicable personal income tax liability in respect of the year in which the payment has been made. If the withholding tax paid exceeds the total amount of personal income tax due, the excess will be refunded. Interest and similar revenues are also subject to French social contributions at the aggregate rate of 15.5 per cent (i.e. the *contribution sociale généralisée* ("CSG") of 8.2 per cent., the *prélèvement social* of 4.5 per cent., its contribution *additionnelle au prélèvement social* of 0.3 per cent., the *prélèvement de solidarité sur les revenus du patrimoine et produits de placement* of 2 per cent. and the *contribution pour le remboursement de la dette sociale* ("CRDS") of 0.5 per cent.); social contributions are generally withheld and paid in the same manner as

the mandatory 24 per cent. withholding tax. Practical steps to be taken for purposes of levying, declaring and paying this withholding tax to the French tax authorities will depend on the place where the paying agent is located.

French tax resident individuals holding the Notes as part of their private assets should consult their own tax advisers to determine declarative and payment obligations applicable to them in France in relation to the 24 per cent. mandatory withholding tax and social security contributions referred to above. The Issuer does not assume responsibility for French withholding tax at source and is not obliged to make additional payments in case of French withholding tax deductions.

Prospective purchasers of Notes who are French resident for tax purposes or who would hold such Notes through a permanent establishment or a fixed base in France should be aware that transactions involving the Notes, including any purchase or disposal of, or other dealings in, the Notes, may have French tax consequences. The tax consequences regarding interest, premium on redemption and capital gains in particular may depend, amongst other things, upon the status of the prospective purchaser (i.e. legal entities or individuals). Prospective purchasers of the Notes should consult their own tax advisers about the French tax implications of purchasing, holding, disposing the Notes and more generally, of any transactions involving Notes.

GERMANY

In principle, only persons (individuals and incorporated entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to German withholding tax with respect to payments under debt instruments. Non-resident persons generally do not suffer German withholding tax. If, however, the income from the Notes is subject to German tax, i.e. if (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the relevant investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income, German withholding tax is applied, as a rule, as in the case of a German tax resident investor.

German withholding tax will be levied at a flat withholding tax rate of 26.375 per cent. (including solidarity surcharge (*Solidaritätszuschlag*), plus church tax if applicable) on interest and on proceeds from the sale of the Notes if the Notes are held in a custodial account which the relevant investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "**German Disbursing Agent**"). If the Notes are redeemed, repaid, assigned or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage*), such transaction is treated like a sale. If the Issuer exercises the right to substitute the debtor of the Notes, this might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the new debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors.

If the Notes are not held in a custodial account maintained with a Disbursing Agent, German withholding tax will nevertheless be levied if the Notes are issued as definitive Notes and the savings earnings (*Kapitalerträge*) are paid by a German Disbursing Agent against presentation of the Notes or interest coupons (so-called over-the-counter transaction - *Tafelgeschäft*).

If an investor sells or redeems the Notes, the tax base is, in principle, the difference between the acquisition costs and the proceeds from the sale or redemption of the Notes reduced by expenses directly and factually related to the sale or redemption. Where the Notes are acquired and/or sold in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively. If the Notes have not been held in the custodial account maintained with the Disbursing Agent since their acquisition and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law (e.g. in the case of over-the-counter transactions or if the Notes had been transferred from a non-EU custodial account prior to the sale), withholding tax is applied to 30 per cent. of the proceeds from the sale or redemption of the Notes.

When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

For individuals who are subject to church tax, church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor has to include the savings income in the tax return and will then be assessed to church tax.

With regard to individuals holding the Notes as private assets, any withholding tax levied shall, in principle, become definitive and replace the income taxation of the relevant investor. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the relevant investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the tax assessment procedure. However, the separate tax rate for savings income applies in most cases also within the assessment procedure. In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed husband and wife or registered life partners the application can only be filed for savings income of both spouses / life partners.

With regard to other investors, German withholding tax is a prepayment of (corporate) income tax and will be credited or refunded within the tax assessment procedure.

No German withholding tax will be levied if an individual holding the Notes as private assets has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife or registered life partners). Similarly, no withholding tax will be levied if the relevant investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent. Further, with regard to investors holding the Notes as business assets, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if (a) the Notes are held by a corporation or (b) the proceeds from the Notes qualify as income of a domestic business and the investor has notified this to the German Disbursing Agent by use of the officially required form.

The Issuer is, in general, not obliged to levy German withholding tax in respect of payments on the Notes.

HONG KONG

(a) Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

(b) Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- (i) such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

- (i) the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

- (ii) the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.1 per cent. by each of the seller and the purchaser by reference to the amount of the consideration or market value of the Registered Notes, whichever is greater. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

IRELAND

The following is a summary based on the laws and practices currently in force in Ireland of certain matters regarding the tax position of investors who are the absolute beneficial owners of the Notes. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.

Taxation of Noteholders

(a) Withholding Tax

Tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes should not be treated as having an Irish source unless:

- (i) the Issuer is resident in Ireland for tax purposes; or
- (ii) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or
- (iii) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer will not have a branch or permanent establishment in Ireland; (iii) that bearer Notes will not be physically located in Ireland; and (iv) the Issuer will not maintain a register of any registered Notes in Ireland.

(b) Taxation of Receipts

Notwithstanding that a Noteholder may receive payments of interest, premium or discount on the Notes free of Irish withholding tax, the Noteholder may still be liable to pay Irish income tax (and in addition in the case of individuals, the Universal Social Charge) or corporation tax (generally at the rate of 25 per cent.) on such interest, premium or discount and/or any payment in the nature of interest if (i) such interest, premium or discount has an Irish source, (ii) the Noteholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there would also be a social insurance (PRSI) liability for an individual in receipt of interest on the Notes), or (iii) the Notes are attributed to a branch or agency in Ireland.

Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess their own liability to Irish tax.

Relief from Irish tax may also be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

(c) Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) on any interest, dividends or annual payments paid on or in respect of Notes issued by a company not resident in Ireland, where such interest, dividend or annual payment is collected or realised by a bank or encashment agent in Ireland. Encashment tax does not apply where the Noteholder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

(d) Tax on Capital Gains

A Noteholder will not be subject to Irish tax on capital gains on a disposal of Notes (currently levied at 33 per cent.) unless (i) such holder is either resident or ordinarily resident in Ireland; or (ii) such holder carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held or acquired; or (iii) the Notes cease to be listed on a stock exchange in circumstances where such Notes derive their value or more than 50 per cent. of their value from Irish real estate, mineral rights or exploration rights.

(e) Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which, subject to available exemptions and reliefs, is currently levied at 33 per cent.) if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date; or (ii) the Notes are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years preceding that date, and (ii) is either resident or ordinarily resident in Ireland on that date.

Bearer notes are generally regarded as situated where they are physically located at any particular time. Notes in registered form are regarded as property situate in Ireland if the register of the Notes is in Ireland. The Notes may, however, be regarded as situated in Ireland regardless of their physical location if they secure a debt due by an Irish resident debtor and/or are secured over Irish property. Accordingly, if Irish situate Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the donor or the donee/successor.

(f) Stamp Duty on Transfer of Notes

As the Issuer is not registered in Ireland, stamp duty will not arise on a document effecting a transfer of the Notes so long as the instrument of transfer of the Notes does not relate to:

- (a) any immovable property situated in Ireland or any right over or interest in such property; or
- (b) any stocks or marketable notes of a company which is registered in Ireland (other than a company which is (i) an investment undertaking within the meaning of section 739B of the Taxes Consolidation Act, 1997 ("TCA") or (ii) a qualifying company within the meaning of section 110 of the TCA).

LUXEMBOURG

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes, payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Base Prospectus/Base Listing Particulars. The information contained within this section is limited to

withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.

A holder of the Notes may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

All payments of interest (including accrued but unpaid interest) or and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application, as regards Luxembourg resident individuals, of the Luxembourg law of 23 December 2005, as amended (the "**Law**"), which provides for a 20 per. cent withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the 2005 Law) paid by a paying agent within the meaning of the Law established in Luxembourg.

Responsibility for the withholding of the 20 per. cent withholding tax will be assumed by the Luxembourg paying agent and not by the Issuer.

Pursuant to the Law, Luxembourg resident individuals who are the beneficial owners of savings income paid by a paying agent established outside Luxembourg, in a Member State of either the European Union or the EEA, can opt to self declare and pay a 20 per cent. tax (the "**Levy**") on these savings income.

The 20 per cent. withholding tax as described above or the Levy are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

THE NETHERLANDS

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Base Prospectus/Base Listing Particulars and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Note, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Where the Issuer is not, or is not deemed to be, resident (*gevestigd*) in The Netherlands for the relevant tax purposes, all payments by the Issuer under the Notes can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof.

SPAIN

On the basis that the Issuer is not resident in Spain for tax purposes and does not operate in Spain through a permanent establishment, branch or agency, all payments of principal and interest in respect of the Notes can be made free of any withholding or deduction for or on account of any taxes in Spain.

Under certain conditions, withholding taxes may apply if the Notes are deposited with a Spanish resident entity acting as depositary.

THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a "**participating Member State**"). However, Estonia has ceased to participate.

The Commission's Proposal has very broad scope. If introduced, it could apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

UNITED STATES FEDERAL TAXATION

The following is a general summary of certain U.S. federal income to U.S. Holders and withholding tax considerations to Non-U.S. Holders (each as defined below), of the purchase, ownership and disposition of Notes. This summary only discusses the consequences to U.S. Holders that purchase Notes at their original issuance and issue price and hold them as capital assets for U.S. federal income tax purposes. This summary does not address all of the U.S. federal income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special rules (including, without limitation, pension plans and other tax-exempt investors, banks, thrift institutions, insurance companies, real estate investment trusts, regulated investment companies, grantor trusts, partnerships, partners in partnerships that invest in Notes, dealers in securities or currencies, U.S. Holders whose functional currency is not the U.S. dollar, U.S. Holders who hold Notes as part of a straddle, hedging or conversion transaction, U.S. Holders liable for the alternative minimum tax, U.S. Holders who are expatriates, Non-U.S. Holders that hold Notes in a manner that is effectively connected with the conduct of a trade or business in the United States and Non-U.S. Holders that are individuals present in the United States for 183 days or more in the year that they dispose of Notes). In addition, this summary does not address the application of any U.S. state or local tax laws, or the tax laws of any non-U.S. jurisdiction.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, applicable U.S. Treasury Regulations, judicial authority and administrative rulings and practice in effect as of the date of this Base Prospectus/Base Listing Particulars any of which may be appealed, revoked or otherwise altered with retroactive effect, thereby changing the U.S. federal income tax consequences discussed below. There is no assurance that the U.S. Internal Revenue Service will not take a contrary view, and no ruling from the IRS has been or will be sought.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note in registered form that is, for U.S. federal income tax purposes, (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organised in or under the laws of the United States, any State thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source or (iv) a trust, if both (a) a court within the United States is able to exercise primary jurisdiction over the administration of the trust, and (b) one or more United States persons for U.S. federal income tax purposes have the authority to control all substantial decisions of the trust. Notes in bearer form are subject to selling restrictions and are not meant to be offered or sold to United States persons. United States persons that nonetheless acquire Notes in bearer form (i) should be aware that they will be subject to limitations under the U.S. tax rules, including limitations that impact the ability to deduct losses or recognise capital gain with respect to the Notes and (ii) should not rely on the disclosure below.

As used herein, the term "**Non-U.S. Holder**" means a beneficial owner of a Note that is, for U.S. federal income tax purposes, an individual, corporation, estate or trust that is not a U.S. Holder.

The U.S. federal income and withholding tax treatment of Notes held by an entity that is a partnership for U.S. federal income tax purposes will depend on the activities of such partnership and the status of its

partners. Partnerships considering an investment in Notes, and partners in such partnerships, should consult their own tax advisors regarding the consequences of acquiring, owning and disposing of a Note.

Treatment of Notes as Indebtedness

The discussion below addresses the U.S. federal income tax treatment of Notes that will be issued in a manner consistent with, and with characteristics that are typical of, indebtedness for U.S. federal income tax purposes. Generally, the discussion below addresses Notes whose terms provide for payment in full of principal at their stated maturity. However, Notes whose terms do not provide for payment in full of principal at their stated maturity, and possibly certain other Notes, may not be characterised as indebtedness for U.S. federal income tax purposes.

The U.S. tax treatment of Notes that are not characterised as indebtedness for U.S. federal income tax purposes is complex, and generally there is no direct authority regarding the correct U.S. federal income tax treatment of such Notes. For example, in certain circumstances, such Notes may be viewed as representing beneficial ownership in underlying assets to which the return on the Notes is linked. In other circumstances, an investment in the Notes may be governed by the U.S. tax rules that govern the treatment of options, forward contracts, swaps or other types of derivative instruments. Prospective U.S. investors should be aware that the IRS has recently issued a notice seeking comments regarding the proper treatment of certain securities whose terms do not provide for payment in full of principal at their stated maturity, which may adversely impact the treatment of an investment in such Notes for U.S. federal income tax purposes. Prospective U.S. investors are strongly urged to consult their own advisors about the proper treatment of an investment in such Notes in light of their particular circumstances. A prospective U.S. investor should review any supplemental U.S. tax disclosure that may be provided in connection with a particular offering and should contact UBS for any additional information that it may require in making its determination.

Where Notes that are not classified as indebtedness are linked to one or more securities, or a basket containing one or more securities, issued by a U.S. issuer, it is possible that payments of principal, interest or disposition proceeds on the Note may be characterised, in whole or in part, as U.S. source income and may be subject to U.S. income or withholding tax. Where this is the case, such payments may be made subject to U.S. withholding tax, at a rate of up to 30 per cent. or at such other rate as may be available under the provisions of any applicable double tax treaty. Prospective non-U.S. investors should consult their own advisors about the possibility of U.S. income or withholding tax applying to payments on any such Notes. A prospective non-U.S. investor should review any supplemental U.S. tax disclosure that may be provided in connection with a particular offering and should contact UBS for any additional information that it may require in making its determination.

Tax Consequences for U.S. Holders

Payments of Interest

Except as otherwise indicated below, interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in determining the U.S. Holder's treatment under the "*foreign tax credit*" rules. These rules are complex and a prospective U.S. Holder should consult its own advisors about the availability of a credit or deduction for non-U.S. taxes in light of the U.S. Holder's particular circumstances. Special rules governing the treatment of payments made with respect to Notes subject to special U.S. tax rules are discussed below.

Original Issue Discount

A Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued at an original discount for U.S. federal income tax purposes (and will be referred to in this section as an "original issue discount Note") unless the Note satisfies a *de minimis* threshold (as described below) or is a short-term Note (as defined below). The "issue price" of a Note will be the first price at which a substantial amount of the Notes are sold to the public (not including sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum

of all payments required under the Note other than payments of "qualified stated interest". "Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Note and equal to the outstanding principal balance of the Note multiplied by a single fixed rate of interest. In addition, qualified stated interest includes, among other things, stated interest on a "variable rate debt instrument" (as defined in the applicable U.S. Treasury regulations) that is unconditionally payable (other than in debt instruments of the Issuer) at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated. For this purpose, if a floating rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate and if the variable rate on the floating rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 0.25 per cent.), then the fixed rate and the variable rate together will constitute a single variable rate.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount (generally, $\frac{1}{4}$ of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity or the weighted average maturity, as applicable) the Note will not be considered to have original issue discount. U.S. Holders of Notes with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a pro rata basis as principal payments are made on the Note.

A U.S. Holder of original discount Notes will be required to include any qualified stated interest payments in income in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes. U.S. Holders of original issue discount Notes (other than short-term Notes, as defined below) will be required to include in income for U.S. federal income tax purposes the sum of the daily portions of the original issue discount for each day on which the U.S. Holder held the Note. The U.S. Holder will be required to include such original issue discount as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received.

A U.S. Holder may make an election to include in gross income all interest that accrues on any Note (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest (a "**constant yield election**").

The issuer may have an unconditional option to redeem, or investors may have an unconditional option to require the issuer to redeem, a Note prior to its stated maturity date. Under applicable regulations, if the issuer has an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if the exercise of the option will lower the yield on the Note. Conversely, if investors have an unconditional option to require the issuer to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if the exercise of the option will increase the yield on the Note. If an option that is presumed to be exercised based on this rule is in fact not exercised, the Note will be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

Short-Term Notes

A Note that matures (after taking into account the last possible date that the Note could be outstanding under the terms of the Note) one year or less from its date of issuance (a "short-term Note") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest (as defined above). In general, a cash-method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. If a cash method U.S. Holder does not make this election, the U.S. Holder should include interest payments as ordinary income upon receipt. Holders who elect to accrue the discount, and certain other U.S. Holders, including those who report income on the accrual method of accounting for U.S. federal income tax

purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant-yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note generally will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

Sale, Exchange or Retirement of the Notes

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted basis in the Note. Gain or loss, if any, generally will be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. Amounts attributable to accrued interest or discount are treated as interest as described under "*-Payment of Interest*," "*-Short-Term Notes*" and "*-Original Issue Discount*" above.

Except as described below, gain or loss realised on the sale, exchange or retirement of a Note generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the Note has been held for more than one year. Exception to this general rule applies to the extent of any accrued discount not previously included in the U.S. Holder's taxable income. See "*-Short-Term Notes*" and "*-Original Issue Discount*" above. In addition, other exceptions to this general rule apply in the case of contingent payment debt instruments, optionally exchangeable Notes and mandatorily exchangeable Notes. See "*-Contingent Payment Debt Instruments*," "*-Optionally Exchangeable Notes*" below.

Contingent Payment Debt Instruments

If the timing and amount of payments on a Note is subject to contingencies and the Note is not a qualifying variable rate debt instrument (as defined above), the Note generally will be classified as a contingent payment debt instrument for U.S. federal income tax purposes. If a Note is treated as a contingent payment debt instrument, no payment on such instrument qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the contingent payment debt instrument and the instrument's "projected payment schedule" as described below. The comparable yield is determined by the Issuer at the time of issuance of the contingent payment debt instrument and takes into account the yield at which the Issuer could issue a fixed rate debt instrument with no contingent payments, but with terms and conditions otherwise similar to those of the contingent payment debt instrument. The comparable yield may be greater than or less than the stated interest, if any, with respect to the instrument.

Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Issuer may be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the instrument equal to the comparable yield used.

Neither the comparable yield nor the projected payment schedule constitutes a representation by the Issuer regarding the actual amount, if any, that the contingent payment debt instrument will pay.

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and projected payment schedule established by the Issuer in determining interest accruals and adjustments in respect of a contingent payment debt instrument, unless the U.S. Holder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of the U.S. Holder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year (i) will first reduce the amount of interest in respect of the contingent payment debt instrument that a U.S. Holder would otherwise be required to include in income in the taxable year and (ii) any excess will give rise to an ordinary loss to the extent that the amount of all previous interest inclusions under the contingent payment debt instrument exceeds the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the instrument.

Upon a sale, exchange or retirement of a contingent payment debt instrument (including a delivery of property pursuant to the terms of the instrument), a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the U.S. Holder's adjusted basis in the contingent payment debt instrument. If a U.S. Holder is paid property, other than cash, in retirement of a contingent payment debt instrument, the amount realised will equal the fair market value of the property, determined at the time of retirement, plus the amount of cash, if any, received in lieu of property. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a U.S. Holder recognises loss above certain thresholds, the U.S. Holder may be required to file a disclosure statement with the IRS.

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument, including in satisfaction of a conversion right or a call right, equal to the fair market value of the property determined at the time of retirement. The U.S. Holder's holding period for the property will commence on the day immediately following its receipt.

Special rules will apply if one or more contingent payments on a contingent payment debt instrument become fixed. For purposes of the preceding sentence, a payment (including an amount payable at maturity) will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the applicable Treasury regulations. If one or more contingent payments on a contingent payment debt instrument become fixed more than six months prior to the date the payment is due, a U.S. Holder would be required to make a positive or negative adjustment, as appropriate, equal to the difference between the present value of the amounts that are fixed, using the comparable yield as the discount rate, and the projected amounts of the contingent payments relevant as provided in the projected payment schedule. If all remaining scheduled contingent payments on a contingent payment debt instrument become fixed substantially contemporaneously, a U.S. Holder would be required to make adjustments to account for the difference between the amounts so treated as fixed and the projected payments in a reasonable manner over the remaining term of the contingent payment debt instrument. A U.S. Holder's tax basis in the contingent payment debt instrument and the character of any gain or loss on the sale of the instrument would also be affected. U.S. Holders are urged to consult their tax advisers concerning the application of these special rules.

Premium

If a U.S. Holder purchases a Note for an amount in excess of its stated redemption price at maturity (as defined above under "*-Original Issue Discount-*"), the U.S. Holder will be considered to have purchased such Note with "amortisable bond premium" equal in amount to such excess, and generally will not be required to include any original issue discount in income. Generally, a U.S. Holder may elect to amortise such premium as an offset to qualified stated interest income, using a constant yield method similar to that described above (see "*-Original Issue Discount-*" above), over the remaining term of the Note (where such Note is not redeemable prior to its maturity date). In the case of Notes that may be redeemed prior to maturity, the premium is calculated assuming that the Issuer or the U.S. Holder will exercise or not exercise its redemption rights in a manner that maximises the U.S. Holder's yield. A U.S. Holder that elects to amortise bond premium must reduce such Owner's tax basis in the Note by the amount of the premium used to offset qualified stated interest income as set forth above. An election to amortise bond

premium applies to all taxable debt obligations held during or after the taxable year for which the election is made and may be revoked only with the consent of the IRS.

Foreign Currency Notes

Special U.S. federal income tax rules apply to Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are payable in one or more currencies or currency units other than the U.S. dollar ("**foreign currency Notes**").

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the U.S. Holder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a U.S. Holder should make any of these elections may depend on the U.S. Holder's particular federal income tax situation. U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a currency other than the U.S. dollar with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the non-U.S. dollar currency payment received (determined on the date the payment is received) in respect of the accrual period (or, where a U.S. Holder receives U.S. dollars, the amount of the payment in respect of the accrual period) and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount.

An accrual method U.S. Holder may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day of the interest accrual period, in the case of a partial accrual period, the spot rate on the last day of the accrual period in the taxable year or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount on a foreign currency Note is to be determined in the relevant foreign currency.

If an election to amortise bond premium is made, amortisable bond premium, calculated in units of the relevant foreign currency, taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as on the sale, exchange or retirement of the foreign currency Note. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's basis in a foreign currency Note, and the amount of any subsequent adjustment to the U.S. Holder's basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a foreign currency Note with previously owned non-U.S. currency will recognise ordinary income or loss in an amount equal to the difference, if any,

between such U.S. Holder's basis in the non-U.S. currency and the U.S. dollar fair market value of the foreign currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the non-U.S. currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the non-U.S. dollar currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. Holder on the sale, exchange or retirement of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the U.S. Holder (or the "**qualified business unit**" of the U.S. Holder on whose books the Note is properly reflected). Any gain or loss realised by a U.S. Holder in excess of the foreign currency gain or loss will be capital gain or loss except, in the case of a short-term Note, to the extent of any discount not previously included in the U.S. Holder's income.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Note equal to the U.S. dollar value of the non-U.S. currency, determined at the time of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Note is required to translate units of non-U.S. currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations **provided that** the Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. Any gain or loss realised by a U.S. Holder on a sale or other disposition of non-U.S. currency (including its exchange for U.S. dollars or its use to purchase foreign currency Notes) will be ordinary income or loss.

Substitution of the Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be (i) assumed by an Affiliate or (ii) prior to any such assumption, fulfilled by the Issuer acting through a different Branch or the UBS Head Office (if the Issuer was not acting through the UBS Head Office prior thereto). Any such assumption or Issuing Branch Substitution might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the fair market value at that time of the U.S. Holder's Notes, and the U.S. Holder's tax basis in those Notes. It might also affect the timing and amount of income earned on the Notes for U.S. federal income tax purposes in any given tax period. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a substitution in obligor with respect to the Notes.

IRS Reporting Requirements

Treasury regulations require U.S. taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a "**Reportable Transaction**"). Under these regulations, if Notes are denominated in a foreign currency, a U.S. holder that recognises a loss with respect to the Notes that is characterised as an ordinary loss due to changes in currency exchange rates generally would be required to report the loss to the IRS if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is \$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher.

U.S. Holders should consult their own advisors regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of Notes.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish that it qualifies for an exemption from backup withholding.

The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, **provided that** the required information is furnished to the IRS.

If a U.S. Holder invests in Notes directly or indirectly through a non-U.S. financial institution, payments it receives after 2016 on or with respect to Notes issued or materially modified after the Grandfathering Period or that are treated as equity for U.S. federal income tax purposes may be subject to U.S. withholding unless such financial institutions generally comply with certain U.S. reporting and withholding requirements. As part of this compliance, U.S. Holders may be asked to provide additional information about their status as U.S. taxpayers. See the discussion below under "*FATCA Withholding Tax*".

Tax Consequences for Non-U.S. Holders

Unless a non-U.S. Holder is receiving payments on or with respect to Notes linked to one or more securities, or a basket containing one or more securities, issued by a U.S. issuer, as to payments on any such securities, or as discussed below under "*FATCA Withholding Tax*" or otherwise noted in the applicable pricing supplement, a non-U.S. Holder will not be subject to U.S. withholding tax with respect to payments on Notes, but may be subject to generally applicable information reporting, and may also be subject to backup withholding requirements with respect to such payments unless the non-U.S. Holder complies with certain certification and identification requirements as to the Non-U.S. Holder's non-U.S. status or an exception to the information reporting and backup withholding rules otherwise applies. Non U.S. Holders that receive payments outside the United States from a broker or other intermediary that is not a U.S. person and does not have certain other connections with the United States generally will not be subject to these information reporting and backup withholding rules.

FATCA Withholding Tax

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "**foreign financial institution**" (as defined by FATCA) 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 even though such payments would not otherwise subject to U.S. withholding tax. A number of jurisdictions (including Switzerland) have entered into, or have agreed in substance to, intergovernmental agreements ("**IGAs**") with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of the 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 Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as 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 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 U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date or classified as equity for U.S. federal income tax purposes. However, if additional Notes (as described under Condition 15 (*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, neither UBS nor any other person will be required under the terms of the Notes to pay additional amounts as a result of the withholding.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon an investor's particular situation. Prospective investors should consult their own tax advisers with respect to the tax consequences to them of the ownership and disposition of the Notes and the underlying stock, including the tax consequences under state, local, non-U.S. and other tax laws and the possible effects of changes in U.S. federal or other tax laws.

UNITED STATES EMPLOYEE BENEFIT PLAN CONSIDERATIONS

ERISA, as amended, imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. To the extent a purchase of any Note (or an interest in a Note) by a Plan is permitted, prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which any of the Issuers, the Agent, the Arranger or the Dealers or any of their respective affiliates are a party in interest or a disqualified person. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction.

For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise permitted pursuant to the Drawdown Prospectus or Pricing Supplement relating to such Notes, a Plan may not purchase, hold or hold any interest in any such Notes. Unless otherwise provided in the Drawdown Prospectus or Pricing Supplement, by its purchase of any Note (and any interest therein) whose terms do not provide for payment in full of principal at their stated maturity, whether in the case of the initial purchase or in the case of a subsequent transfer, the purchaser thereof will be deemed to have represented and agreed that it is not and for so long as it holds a Note (or any interest therein) will not be a Plan or any entity the underlying assets of which include, or are deemed for purposes of ERISA or the Code to include, the assets of any Plan for the purposes of 29 C.F.R. §2510.3-101 and Section 3(42) of ERISA (each of the foregoing, a "**Benefit Plan Investor**") or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise prohibited in the Drawdown Prospectus or Pricing Supplement relating to such Notes, Plans will be permitted to purchase and hold the Notes (and any interest therein). Unless otherwise provided in the Drawdown Prospectus or Pricing Supplement, each purchaser and transferee of a Note (and any interest therein) whose terms provide for payment in full of principal at their stated maturity, will be deemed to represent and agree that for so long as it holds a Note (or any interest therein) either (i) it is not a Benefit Plan Investor, or (ii) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

If a purchaser or transferee of any Note is subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") then such purchaser or transferee will be deemed to represent and agree that such purchase is not in violation of any Similar Law.

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may nevertheless be subject to state or other federal or foreign laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes to the extent permitted in the Drawdown Prospectus or Pricing Supplement should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA. This Base Prospectus is not directed to any particular prospective purchaser, nor does it address the needs of any particular prospective purchaser. Neither the Issuer, the Registrar, the Managers nor any of their employees or respective affiliates shall provide any advice or recommendation with respect to the management of any interests in the Notes or the advisability of acquiring, holding, disposing or exchanging of any such interest.

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 an amended and restated dealer agreement dated 31 May 2017 (the "**Dealer Agreement**") and made between the Issuer and the Dealers, as such 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 relevant Final Terms, Drawdown Prospectus or 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 Final Terms, Drawdown Prospectus or 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 Final Terms, Drawdown Prospectus or Pricing Supplement as "Syndicated", the obligations of those Dealers to subscribe the relevant Notes will 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 Final Terms, Drawdown Prospectus or 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. The 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; TEFRA D, unless TEFRA C is specified as applicable in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement; Rule 144A eligible if so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement)

The 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 or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption 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 under the Securities Act.

For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise permitted pursuant to the Drawdown Prospectus or Pricing Supplement relating to such Notes, a Benefit Plan Investor may not purchase, hold or hold any interest in any such Notes. Unless otherwise provided in the Drawdown Prospectus or Pricing Supplement, for Notes whose terms do not provide for payment in full of principal at their stated maturity, the purchaser and each transferee will be deemed to represent that it is not and for as long as it holds the Notes (or an interest therein) will not be (i) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (ii) a "plan" within the meaning of and subject to Section 4975 of the Code or (iii) any person or entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise prohibited in the Drawdown Prospectus or Pricing Supplement relating to such Notes, Benefit Plans Investor will be permitted to purchase and hold the Notes (and any interest therein). Unless otherwise provided in the Drawdown Prospectus or Pricing Supplement, for Notes whose terms provide for payment in full of principal at their stated maturity, the purchaser and each transferee will be deemed to represent and agree that for as long as it holds the Notes (or an interest therein) either (A) it is not (i) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (ii) a "plan" within the meaning of and subject to Section 4975 of the Code or (iii) an entity the underlying assets of which include, or are deemed for purposes of ERISA or the Code to include, the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section

3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (B) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Each purchaser and transferee that is an "employee benefit plan" that is subject to any U.S. Federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") will be deemed to represent and agree that such purchase is not in violation of any Similar Law.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986, as amended, and the regulations thereunder.

- (A) Where TEFRA D is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:
- (i) except to the extent permitted under TEFRA D, (a) it has not offered or sold, and during the restricted period will not offer or sell, any Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person, and (b) it has not delivered and will not deliver within the United States or its possessions Notes in bearer form and in definitive form that are sold during the restricted period;
 - (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by TEFRA D;
 - (iii) if it is a U.S. person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and, if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations §1.163- 5(c)(2)(i)(D)(6) (or successor provisions);
 - (iv) with respect to each affiliate (if any) that acquires from such Dealer Notes in bearer form for the purposes of offering or selling such Notes during the restricted period, such Dealer either repeats and confirms the representations, undertakings and agreements contained in sub-clauses (i), (ii) and
 - (v) above on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Issuer the representations, undertakings and agreements contained in such sub-clauses (i), (ii) and (iii); and
 - (vi) shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii), (iv) and this sub-clause (v) of this paragraph from any person other than its affiliate with whom it enters into a written contract, (a "**distributor**" as defined in United States Treasury Regulations §1.163- 5(c)(2)(i)(D)(4) (or successor provisions)), for the offer or sale during the restricted period of the Notes in bearer form.
- (B) In addition, where TEFRA C is specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement as being applicable in relation to any Tranche of Notes, such Notes must in their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, undertake and agree (and each additional Dealer will be required to represent, undertake and agree) that, in connection with the original issuance of the Notes:
- (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Notes in bearer form within the United States or its possessions; and

- (ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or such Dealer is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Notes in bearer form.

Terms used in sub-clauses (A) and (B) have the meanings given to them by the Code and the regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as provided in the Dealer Agreement, it has not offered and sold Notes and will not offer and sell Notes of any Tranche (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the date of issue of the relevant Tranche of Notes and the completion of the distribution of such Tranche, as determined and certified to the Agent or the Issuer by the relevant Dealer (or in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, US persons and it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells Notes of such Tranche from it during the distribution compliance period (other than resales pursuant to Rule 144A under the Securities Act) 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, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Dealer Agreement provides that the Dealers may directly or may, through their respective U.S. 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.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of Notes of such Tranche within the United States by a dealer (whether or not participating in the offering of such Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

Each Series of Notes will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer(s) may agree and as indicated in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

From 1 January 2018, unless the applicable Final Terms (or Pricing Supplement, as the case may be) 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 Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. 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 MiFID II; or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended), 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 the Prospectus Directive; 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.

Prior to 1 January 2018, and from that date, if the Final Terms in respect of any Notes specify "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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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) *Approved prospectus*: if the Final Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) *Fewer than 150 offered*: 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
- (d) *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 (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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, 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 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.

SELLING RESTRICTIONS ADDRESSING ADDITIONAL NETHERLANDS SECURITIES LAWS

For selling restrictions in respect of The Netherlands, see "*Prohibition of Sales to EEA Retail Investors*" above and in addition:

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not make an offer of Notes which are the subject of the offering contemplated by a Drawdown Prospectus or by this Base Prospectus as completed by the Final Terms or Pricing Supplement in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive, unless such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**FSA**") and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands.

For the purposes of this provision, the expressions (i) an "**offer of Notes to the public**" in relation to any Notes in The Netherlands and (ii) "**Prospectus Directive**" have the meaning given to them above in the paragraph headed "*Prohibition of Sales to EEA Retail Investors*".

Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext Amsterdam N.V. admitted on one or more of the markets or systems held or operated by Euronext Amsterdam N.V., in full compliance with the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) of 21 May 1985 (as amended) and its implementing regulations.

No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of such Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series or Tranche are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter.

In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with.

As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever.

AUSTRALIA

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (the "**Corporations Act**")) in relation to the Programme or the Notes has been (or will be) lodged with, or

registered by, the Australian Securities and Investments Commission ("**ASIC**"). Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, unless the relevant Drawdown Prospectus or Pricing Supplement (or another relevant supplement to this Base Prospectus/Base Listing Particulars) otherwise provides, it:

- (a) has not offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the Notes (or an interest in them) in, or into Australia (including an offer or invitation which is received by a person in Australia); and
- (b) has not distributed or published, and will not distribute or publish, the Base Prospectus/Base Listing Particulars or any other offering material or advertisement relating to the Notes (or an interest in them) in Australia,

unless (i) the aggregate consideration payable by each offeree is at least A\$500,000 (or the equivalent in another currency, in either case, disregarding monies lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Part 6D.2 or 7.9 of the Corporations Act, (ii) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act) and does not require any document to be lodged with ASIC, and (iii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Corporations Act.

In addition, and unless the relevant Drawdown Prospectus or Pricing Supplement otherwise provides, each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that, in connection with the primary distribution of Notes issued by UBS AG Australia Branch, it will not offer or sell such Notes to any person if, at the time of such sale, the officers and employees of the Dealer aware of, or involved in, the sale know or have reasonable grounds to suspect that, as a result of such sale, any such Notes, or an interest in any such Notes, were being, or would later be, acquired (directly or indirectly) by an "associate" of UBS AG within the meaning of section 128F(9) of the Australian Tax Act and associated regulations and, where applicable, any replacement legislation including, but not limited to, the Income Tax Assessment Act 1997 of Australia, except as permitted by section 128F(5) of the Australian Tax Act.

Section 708(19) of the Corporations Act provides that an offer of debentures for issue or sale does not need disclosure to investors in accordance with Part 6D.2 of the Corporations Act if the Issuer is an authorised deposit-taking institution ("**ADI**"). As at the date of this Base Prospectus/Base Listing Particulars, UBS AG Australia Branch is licensed by the Australian Prudential Regulation Authority as a foreign ADI.

JAPAN

The Notes 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**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 or for the benefit of, 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 and will not be 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 or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes 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, 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) of the SFA, 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 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 six months after that corporation or that trust has acquired the Notes 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 to 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.

PRC

The Dealers and Investors have acknowledged that this Base Prospectus/Base Listing Particulars, or the Notes or any material or information contained or incorporated by reference in this Base Prospectus/Base Listing Particulars relating to the Notes, have not been, and will not be submitted to become, approved/verified by or registered with any relevant government authorities under the PRC law. Accordingly the Notes may not be offered or sold directly or indirectly in the PRC and this Base

Prospectus/Base Listing Particulars may not be supplied to the public in the PRC or used in connection with any offer for subscription or sale of the Notes in the PRC directly or indirectly. The material or information contained or incorporated by reference in this Base Prospectus/Base Listing Particulars relating to the Notes 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 may only be offered or sold to PRC investors that are authorised to engage in the purchase of Notes of the type being offered or sold.

Each Dealer has represented, warranted and agreed to and with UBS AG Group 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 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 approvals/licenses, verifications and/or registrations (if any) from all relevant PRC governmental authorities (including but not limited to the China Banking Regulatory Commission, the China Securities Regulatory Commission, the China Insurance Regulatory Commission, the State Administration of Foreign Exchange and/or other relevant regulatory bodies), and complying with all the applicable PRC regulations, including but not limited to any relevant PRC foreign exchange regulations and/or foreign investment regulations.

TAIWAN

Subject to the paragraph below, the Notes may not be sold, offered or issued to Taiwan resident investors or in Taiwan unless they are made available, (i) outside Taiwan for purchase outside Taiwan by such investors and/or (ii) in Taiwan, (A) in the case of Notes which are a "structured product" as defined in the Regulation Governing Offshore Structured Products of the Republic of China ("**OSP Regulation**") through bank trust departments, licensed securities brokers and/or insurance company investment linked insurance policies pursuant to the OSP Regulation or (B) in the case of Notes which are not "structured products" under the OSP Regulation, through properly licensed Taiwan intermediaries (including the non-discretionary monetary trust of licensed banks in Taiwan acting as trustees) in such manner as complies with Taiwan law and regulation and/or (iii) in such other manner as may be permitted in accordance with Taiwan laws and regulations.

As to the Notes to be listed on the Professional Board of Taipei Exchange in Taiwan pursuant to the Rules Governing Management of Foreign Currency Denominated International Bonds of the Taipei Exchange, the above selling restriction is not applicable and following selling restriction shall apply instead: the Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional institutional investors" as defined in Paragraph 2 of Article 4 of Taiwan Financial Consumer Protection Act.

CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Base Prospectus or any Final Terms, Drawdown Prospectus or Pricing Supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), so long as a concurrent distribution of the Notes is made to investors in the United States, the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering. In the event the Notes are distributed to investors in Canada

without a concurrent distribution of the Notes to investors in the United States, the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest may apply.

JERSEY

The Notes are not and will not be registered in Jersey.

The Notes may be offered, sold or delivered to investors resident in Jersey.

The Jersey Financial Services Commission (the "**Commission**") has given and not withdrawn its consent under Article 8(2) of the Control of Borrowing (Jersey) Order 1958, as amended, to the circulation in Jersey of this Base Prospectus/Base Listing Particulars and the relevant Final Terms, Drawdown Prospectus or Pricing Supplement in respect of each issue of Notes. The Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under the law.

BELGIUM

Belgium has implemented the Prospectus Directive and the section headed "*Prohibition of Sales to EEA Retail Investors*" above is applicable.

This Base Prospectus has not been submitted for approval to the Belgian Financial Services and Markets Authority. Accordingly, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that Notes that have a maturity of less than 12 months and qualify as money market instruments (and that therefore fall outside the scope of the Prospectus Directive) may not be distributed in Belgium by way of a public offering, as defined for the purposes of the law of 16 June 2006 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets, as amended.

GENERAL

Persons into whose hands this Base Prospectus/Base Listing Particulars comes are required by the Issuer 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 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 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 neither the Issuer nor any Dealer shall have responsibility therefor. In accordance with the above, any Notes 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 being obliged to register any further prospectus or corresponding document relating to the Notes 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 must comply with the restrictions described below, 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.

TRANSFER RESTRICTIONS

1. TRANSFER RESTRICTIONS

On or prior to the 40th day after the issue date of a Tranche of Notes represented by an Unrestricted Global Note, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to hold such beneficial interest through the Restricted Global Note only upon receipt by the relevant Registrar of a written certification from the transferor (in substantially the form scheduled to the Agency Agreement) to the effect that such transfer is being made to a person who is or whom the transferor reasonably believes is a qualified institutional buyer, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws. After such 40th day, such certification requirements will no longer apply to such transfers.

A beneficial interest in the Restricted Global Note may also be transferred to a person who wishes to hold such beneficial interest through the Unrestricted Global Note only upon receipt by the relevant Registrar of a written certification from the transferor (in substantially the form scheduled to the Agency Agreement) to the effect that such transfer is being made in accordance with applicable securities laws.

Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other such Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other such Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in the other such Global Note for so long as such person retains such an interest.

Restricted Global Notes

Each purchaser of Restricted Global Notes offered in reliance on Rule 144A, by accepting delivery of this Base Prospectus/Base Listing Particulars and the Restricted Global Notes, will be deemed to have represented, agreed and acknowledged as follows:

- (i) It (A) is a qualified institutional buyer, (B) is acquiring the Restricted Global 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 Restricted Global Notes or the Issuer and (D) is aware, and each beneficial owner of such Restricted Global Notes has been advised, that the sale of the Restricted Global Notes to it is being made in reliance on Rule 144A.
- (ii) The Restricted Global 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 under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Global Notes is required to, notify any purchaser of the Restricted Global Notes from it of the resale restrictions on the Restricted Global Notes.
- (iii) The Restricted Global Notes and any Registered Notes in definitive form offered in reliance on Rule 144A or exchanged for Restricted Global Notes ("**Restricted Definitive Notes**") will bear a legend to the following effect, unless the Issuer determines otherwise in accordance with applicable law:

"THIS GLOBAL NOTE EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR 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 ("**RULE 144A**") TO A PERSON THAT THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER (IF AVAILABLE), OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES."

For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise provided in the Pricing Supplement or the Drawdown Prospectus:

EACH PURCHASER AND TRANSFEREE IS DEEMED TO REPRESENT THAT IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST HEREIN IT WILL NOT BE AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR ANY ENTITY THE UNDERLYING ASSETS OF WHICH INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise provided in the Pricing Supplement or the Drawdown Prospectus:

EACH PURCHASER AND TRANSFEREE IS DEEMED TO REPRESENT THAT (1) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST THEREIN EITHER IT WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (B) A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR (C) ANY ENTITY THE UNDERLYING ASSETS OF WHICH INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (2) ITS PURCHASE AND HOLDING OF THE NOTES (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 ERISA OR SECTION 4975 OF THE CODE.

EACH PURCHASER AND TRANSFEREE THAT IS AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") WILL BE DEEMED TO REPRESENT AND AGREE THAT SUCH PURCHASE IS NOT IN VIOLATION OF ANY SIMILAR LAW.

- (iv) Unless otherwise provided in the Pricing Supplement or the Drawdown Prospectus, for Notes whose terms do not provide for payment in full of principal at their stated maturity, it is not and for as long as it holds the Notes (or an interest therein) will not be (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) any person or entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include,

the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

- (v) Unless otherwise provided in the Pricing Supplement or the Drawdown Prospectus, for Notes whose terms provide for payment in full of principal at their stated maturity, for as long as it holds the Notes (or an interest therein) either (1) it is not (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) an entity the assets of which include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.
- (vi) If a purchaser or transferee that is subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") then such purchase is not and for as long as it holds the Notes (or an interest therein) will not be in violation of any Similar Law.
- (vii) 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 Restricted Global 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 Restricted Global Note or a Restricted Definitive Note bearing the legend referred to above, or upon specific request for removal of the legend, the Issuer will deliver only Restricted Definitive Notes 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.

Unrestricted Global Notes and Uncertificated SIS Notes

Each purchaser of Unrestricted Global Notes and/or Uncertificated SIS Notes sold pursuant to Regulation S and each subsequent purchaser of such Unrestricted Global Notes and/or Uncertificated SIS Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus/Base Listing Particulars and the Unrestricted Global Notes and/or Uncertificated SIS Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) It is, or at the time Unrestricted Global Notes or Uncertificated SIS Notes are purchased will be, the beneficial owner of such Unrestricted Global Notes or Uncertificated SIS Notes and (a) it is not a US person and 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 Unrestricted Global Notes and Uncertificated SIS 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, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Global Notes or Uncertificated SIS Notes except (a) in accordance with Rule 144A under the Securities Act 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 or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

- (iii) It understands that the Unrestricted Global Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

"THIS GLOBAL NOTE EVIDENCED HEREBY HAS NOT BEEN, AND WILL NOT, BE REGISTERED UNDER THE UNITED STATES 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 WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

For Notes whose terms do not provide for payment in full of principal at their stated maturity, unless otherwise provided in the Pricing Supplement or the Drawdown Prospectus:

EACH PURCHASER AND TRANSFEREE IS DEEMED TO REPRESENT THAT IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST HEREIN IT WILL NOT BE AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR ANY ENTITY THE UNDERLYING ASSETS OF WHICH INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE.

For Notes whose terms provide for payment in full of principal at their stated maturity, unless otherwise provided in the relevant Drawdown Prospectus or Pricing Supplement:

EACH PURCHASER AND TRANSFEREE IS DEEMED TO REPRESENT THAT (1) IT IS NOT AND FOR SO LONG AS IT HOLDS THE NOTE OR ANY INTEREST HEREIN EITHER IT WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO PART 4 OF TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), (B) A PLAN THAT IS DESCRIBED IN AND IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR (C) ANY ENTITY THE UNDERLYING ASSETS OF WHICH INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN OR PLAN FOR PURPOSES OF SECTION 3(42) OF ERISA, OR OTHERWISE FOR PURPOSES OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR (2) ITS PURCHASE AND HOLDING OF THE NOTES (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER ERISA OR SECTION 4975 OF THE CODE.

EACH PURCHASER AND TRANSFEREE THAT IS AN EMPLOYEE BENEFIT PLAN SUBJECT TO ANY U.S. FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**") WILL BE DEEMED TO REPRESENT AND AGREE THAT SUCH PURCHASE IS NOT IN VIOLATION OF ANY SIMILAR LAW.

- (iv) Unless otherwise provided in the relevant Drawdown Prospectus or Pricing Supplement, for Notes whose terms do not provide for payment in full of principal at their stated maturity, it is not and for as long as it holds the Notes (or an interest therein) will not be (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) any person or entity whose underlying assets include the assets of any such "employee benefit plan"

or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code.

- (v) Unless otherwise provided in the relevant Drawdown Prospectus or Pricing Supplement, for Notes whose terms provide for payment in full of principal at their stated maturity, for as long as it holds the Notes (or an interest therein) either (1) it is not (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) an entity the underlying assets of which include, or are deemed for purposes of ERISA or the Code to include, the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.
- (vi) If a purchaser or transferee that is subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") then such purchase is not and for as long as it holds the Notes (or an interest therein) will not be in violation of any Similar Law.
- (vii) 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 Unrestricted Global Notes and/or Uncertificated SIS 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.

Unified Global Notes

In the case of the issue or transfer of Notes to or for a person who takes delivery in the form of Notes represented by a Unified Global Note, within the period when the Notes represented by a Unified Global Note are not "freely tradable" as defined in Condition 4(f):

- (a) *Purchases:* Each purchaser of Notes represented by a Unified Global Note will be deemed to have represented, agreed and acknowledged that either (x) it is a QIB purchasing (or holding) the Notes for its own account or the account of one or more QIBs and it is aware, and each beneficial owner of such Notes has been advised, that any sale is being made in reliance on Rule 144A and it has delivered an investor representation letter from the relevant transferee substantially in the form of Schedule 3 (*Form of Transfer Certificate*) to the Agency Agreement or (y) it is outside the United States and is not a U.S. person.
- (b) *Transfers:* In the case of transfers to a person who takes delivery in the form of Notes represented by a Unified Global Note, from a holder of Notes represented by that Unified Global Note within such period, upon (x) with respect only to transfers pursuant to Rule 144A, delivery of a duly executed investor representation letter from the relevant transferee substantially in the form of Schedule 3 (*Form of Transfer Certificate*) to the Agency Agreement and (y) certification (in the form available from any Paying Agent) to the Registrar by the transferor thereof that such transfer is being made either (x) to a person whom the transferor reasonably believes is a QIB who is acquiring such Notes in a transaction meeting the requirements of Rule 144A or (y) to a non-U.S. person in an offshore transaction pursuant to Regulation S.
- (c) *Legend:* Each Unified Global Note will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THE NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE HAVE NOT BEEN REGISTERED AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND MAY NOT BE OFFERED, SOLD, DELIVERED OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE SECURITIES ACT UNLESS AN EXEMPTION FROM

REGISTRATION IS AVAILABLE. THE PURCHASER OF ANY NOTE REPRESENTED BY THIS UNIFIED GLOBAL NOTE, BY ITS ACCEPTANCE THEREOF, ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THE NOTES AND AGREES THAT IT SHALL TRANSFER ANY NOTE ONLY AS PROVIDED IN THE AGENCY AGREEMENT REFERRED TO HEREIN OR IN THE FINAL TERMS, PRICING SUPPLEMENT OR DRAWDOWN PROSPECTUS ATTACHED HERETO.

THE NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND THE FINAL TERMS OR PRICING SUPPLEMENT REFERRED TO HEREIN AND OTHER THAN PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144A, REGULATION S OR OTHERWISE THEREUNDER AND IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS INCLUDING THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND SHALL BE DELIVERED TO EACH PERSON TO WHOM THE NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE ARE TRANSFERRED. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE.

EACH HOLDER OF A BENEFICIAL INTEREST IN THE NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE SHALL BE DEEMED TO HAVE REPRESENTED WITH RESPECT TO ITSELF AND EACH ACCOUNT FOR WHICH IT IS PURCHASING THAT IT AND EACH HOLDER OF SUCH ACCOUNT IS EITHER (i) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A AND ACQUIRED SUCH INTEREST IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (ii) NOT A U.S. PERSON AND HAS ACQUIRED SUCH INTEREST IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S. FOR PURPOSES OF THE PRECEDING SENTENCE, THE TERM "U.S. PERSON" MEANS (A) A "U.S. PERSON" AS DEFINED UNDER REGULATION S, (B) A "U.S. PERSON" AS DEFINED IN THE INTERPRETIVE GUIDANCE AND POLICY STATEMENT REGARDING COMPLIANCE WITH CERTAIN SWAP REGULATIONS PROMULGATED BY THE CFTC PURSUANT TO THE CEA, OR (C) A PERSON OTHER THAN A "NON-UNITED STATES PERSON" AS DEFINED IN CFTC RULE 4.7, IN EACH CASE, AS SUCH DEFINITION MAY BE AMENDED, MODIFIED OR SUPPLEMENTED FROM TIME TO TIME. ANY RESALE OR OTHER TRANSFER OF INTEREST IN THE NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE MAY, IF APPLICABLE, REQUIRE THE TRANSFEROR TO SUBMIT TO THE REGISTRAR A CERTIFICATE OF TRANSFER, IN THE APPROPRIATE FORM SET FORTH IN SCHEDULE 3 (*FORM OF TRANSFER CERTIFICATE*) TO THE AGENCY AGREEMENT REFERRED TO HEREIN, TOGETHER, WITH RESPECT ONLY TO TRANSFERS PURSUANT TO RULE 144A, WITH A DULY EXECUTED INVESTOR REPRESENTATION LETTER FROM THE RELEVANT TRANSFEREE, IN THE FORM SET FORTH IN SCHEDULE 3 TO THE AGENCY AGREEMENT REFERRED TO HEREIN. IF AT ANY TIME THE REGISTRAR SUBSEQUENTLY DETERMINES OR IS SUBSEQUENTLY NOTIFIED BY THE ISSUER THAT THE HOLDER OF ANY INTEREST IN THE NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE WAS IN BREACH, AT THE TIME GIVEN, OF ANY REPRESENTATION OR AGREEMENT SET FORTH IN ANY INVESTOR REPRESENTATION LETTER OR ANY DEEMED REPRESENTATION OR AGREEMENT OF SUCH HOLDER, THE PURPORTED TRANSFER SHALL BE ABSOLUTELY NULL AND VOID *AB INITIO* AND SHALL VEST NO RIGHTS IN THE PURPORTED TRANSFEREE (SUCH PURPORTED TRANSFEREE, A "**DISQUALIFIED TRANSFEREE**") AND THE LAST PRECEDING HOLDER OF SUCH INTEREST THAT WAS NOT A DISQUALIFIED TRANSFEREE SHALL BE RESTORED TO ALL RIGHTS AS A HOLDER THEREOF RETROACTIVELY TO THE DATE OF SUCH TRANSFER OF SUCH INTEREST BY SUCH HOLDER.

IF REQUESTED BY THE ISSUER OR BY A REGISTRAR, THE PURCHASER AGREES TO PROVIDE THE INFORMATION NECESSARY TO DETERMINE WHETHER THE

TRANSFER OF NOTES REPRESENTED BY THIS UNIFIED GLOBAL NOTE IS PERMISSIBLE UNDER THE SECURITIES ACT.

THE NOTES AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THE NOTES TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE PURCHASER OF A NOTE REPRESENTED BY THIS UNIFIED GLOBAL NOTE, BY ITS ACCEPTANCE THEREOF, SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

SUBJECT TO THE FINAL TERMS OR PRICING SUPPLEMENT FOR AN ISSUE OF NOTES OR ANY APPLICABLE DRAWDOWN PROSPECTUS, EACH HOLDER OF A NOTE OR A BENEFICIAL INTEREST IN THE NOTES REPRESENTED HEREBY IS DEEMED TO REPRESENT THAT FOR AS LONG AS IT HOLDS SUCH NOTE (OR ANY INTEREST THEREIN) EITHER (A) IT IS NOT ACQUIRING AND WILL NOT HOLD THE NOTE OR SUCH INTEREST WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, "PLAN ASSETS" BY REASON OF SUCH PLAN'S INVESTMENT IN THE ENTITY OR WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO ANY NON-U.S. LAW OR U.S. FEDERAL, STATE OR LOCAL LAW OR REGULATION THAT CONTAINS ONE OR MORE PROVISIONS THAT ARE SUBSTANTIVELY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE ("**SIMILAR LAW**"), OR (B) THAT ITS ACQUISITION, HOLDING, EXERCISE AND TRANSFER OF SUCH NOTE (OR ANY INTEREST THEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR WITH RESPECT TO A PLAN SUBJECT TO SIMILAR LAW, A VIOLATION OF ANY APPLICABLE SIMILAR LAW."

- (d) Unless otherwise provided in the Pricing Supplement or the Drawdown Prospectus, for Notes whose terms provide for payment in full of principal at their stated maturity, for as long as it holds the Notes (or an interest therein) either (1) it is not (a) an "employee benefit plan" within the meaning of Section 3(3) of ERISA that is subject to Part 4 of Title I of ERISA, (b) a "plan" within the meaning of and subject to Section 4975 of the Code or (c) an entity the assets of which include the assets of any such "employee benefit plan" or "plan" by reason of 29 C.F.R. § 2510.3-101 and Section 3(42) of ERISA or otherwise for purposes of Section 406 of ERISA or Section 4975 of the Code, or (2) its purchase and holding of the Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code.
- (e) If a purchaser or transferee that is subject to any U.S. federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**") then such purchase is not and for as long as it holds the Notes (or an interest therein) will not be in violation of any Similar Law.
- (f) 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 Unified Global Notes is no longer accurate, it shall promptly notify the Issuer and the relevant Dealer(s).

2. **EXCHANGE OF INTERESTS IN REGISTERED GLOBAL NOTES FOR REGISTERED DEFINITIVE NOTES**

Beneficial interests in a Restricted Global Note will be exchangeable for Restricted Definitive Notes: (i) if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the relevant Restricted Global Note or ceases to be a "clearing agency" registered under the Exchange Act, or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary; or (ii) if the Issuer, at its option, elects to terminate the book-entry system through DTC; or (iii) if Euroclear or Clearstream Luxembourg or Clearstream Frankfurt is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (iv) if an event of default occurs as set out in Condition 12; or (v) if so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, if the holder of the relevant Restricted Global Note requests that such interest be exchanged for Restricted Definitive Notes in the relevant form.

Beneficial interests in an Unrestricted Global Note will be exchangeable, in whole but not in part, for Registered Notes in definitive form ("**Unrestricted Definitive Notes**" together with the Restricted Definitive Notes, the "**Registered Definitive Notes**"): (i) if Euroclear or Clearstream Luxembourg or Clearstream Frankfurt is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or (ii) if an event of default occurs as set out in Condition 12; or (iii) if so specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, if the holder of the relevant Unrestricted Global Note requests that such interest be exchanged for Unrestricted Definitive Notes in the relevant form.

In such circumstances, the Issuer shall procure the delivery of Unrestricted Definitive Notes in exchange for the Unrestricted Global Notes and/or Restricted Definitive Notes in exchange for the Restricted Global Notes, as the case may be. A person having an interest in a Registered Global Note must provide the relevant Registrar with (i) a written order containing instructions and such other information as the Issuer and the relevant Registrar may require to complete, execute and deliver such Registered Definitive Notes and (ii) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Restricted Definitive Notes issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "*-Transfer Restrictions*".

The Registrar will not register the transfer of or exchange of interests in a Registered Global Note for Registered Definitive Notes for a period of 15 calendar days ending on the due date for any payment of principal.

GENERAL CONSENT - THE AUTHORISED OFFEROR TERMS

These terms (the "**Authorised Offeror Terms**") will be relevant in the case of any Tranche of Notes, if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable". They are the Authorised Offeror Terms which will be referred to in the "**Acceptance Statement**" to be published on the website of any financial intermediary which (a) is authorised to make such offers under MiFID and (b) accepts such offer by publishing an Acceptance Statement on its website.

1. General

The relevant financial intermediary:

- (a) *Applicable Rules*: acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**"), from time to time including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by an Investor and disclosure to any potential Investor;
- (b) *Selling Restrictions*: complies with the restrictions set out under "Selling Restrictions" in this Base Prospectus which would apply as if it were a Manager;
- (c) *Fees, commissions and benefits*: ensures that any fee, commission, benefits of any kind, rebate received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors;
- (d) *Licences, consents, approvals and permissions*: holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
- (e) *Violation of Rules*: immediately gives notice to the Issuer and the Managers if at any time it becomes aware or suspects that it is or may be in violation of any Rules or the terms of this sub-paragraph, and takes all appropriate steps to remedy such violation and comply with such Rules and this sub-paragraph in all respects;
- (f) *Anti-money laundering, bribery and corruption*: complies with, and takes appropriate steps in relation to, applicable anti-money laundering, anti-bribery, prevention of corruption and "know your client" Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the application monies;
- (g) *Record-keeping*: retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the Manager(s) and the Issuer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the Manager(s) in order to enable the Issuer and/or the Manager(s) to comply with anti-money laundering, anti-bribery, anti-corruption and "know your client" Rules applying to the Issuer and/or the Manager(s);
- (h) *Breach of Rules*: does not, directly or indirectly, cause the Issuer or any Manager to breach any Rule or subject the Issuer or any Manager to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (i) *Legal or publicity names*: does not use the legal or publicity names of the Managers, the Issuer or any other name, brand or logo registered by any entity within their respective groups or any material over which any such entity retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Notes;
- (j) *Information*: does not give any information other than that contained in this Base Prospectus (as may be amended or supplemented by the Issuer from time to time) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Notes;

- (k) *Communication*: agrees that any communication in which it attaches or otherwise includes any announcement published by the Issuer in relation to the relevant Public Offer at the end of the Offer Period will be consistent with the Base Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and must expressly confirm that the Issuer has not accepted any responsibility for the content of any such communication; and
- (l) *Any other conditions*: agrees to any other conditions set out in paragraph 8 of Part B of the relevant Final Terms.

2. **Indemnity**

The relevant financial intermediary agrees and undertakes to indemnify each of the Issuer and the Managers (in each case on behalf of such entity and its respective directors, officers, employees, agents, affiliates and controlling persons) against any losses, liabilities, costs, claims, charges, expenses, actions or demands (including reasonable costs of investigation and any defence raised thereto and counsel's fees and disbursements associated with any such investigation or defence) which any of them may incur or which may be made against any of them arising out of or in relation to, or in connection with, any breach of any of the foregoing agreements, representations, warranties or undertakings by such financial intermediary, including (without limitation) any unauthorised action by such financial intermediary or failure by such financial intermediary to observe any of the above restrictions or requirements or the making by such financial intermediary of any unauthorised representation or the giving or use by it of any information which has not been authorised for such purposes by the Issuer or the Managers.

3. **Governing Law and Jurisdiction**

The relevant financial intermediary agrees and accepts that:

- (a) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the Issuer's offer to use the Base Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and all non-contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by English law;
- (b) subject to (c) below, the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Authorised Offeror Contract, including a dispute relating to the existence, validity or termination of the Authorised Offeror Contract or any non-contractual obligation arising out of or in connection with the Authorised Offeror Contract or the consequences of the nullity of the Authorised Offeror Contract (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts. The Dealers irrevocably waive any objection which they might now or hereafter have to any such court being nominated as the forum to hear and determine any Proceedings and to settle any Disputes and agree not to claim that any such court is not a convenient or appropriate forum;
- (c) the submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of the Issuer, the Managers or any of them to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law;
- (d) Managers will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the contract between the Issuer and the financial intermediary, formed upon acceptance by the financial intermediary of the Issuer's offer to use of the Base Prospectus with its consent in connection with the relevant Public Offer, which are, or are expressed to be, for their benefit, including the agreements,

representations, warranties, undertakings and indemnity given by the financial intermediary pursuant to the Authorised Offeror Terms; and

- (e) the parties to the Authorised Offeror Contract do not require the consent of any person not a party to the Authorised Offeror Contract to rescind or vary the Authorised Offeror Contract at any time.

GENERAL INFORMATION

1. The establishment of the Programme was authorised by resolutions of the Board of Directors of the Issuer passed on 24 June 1998. The update of the Programme was authorised by the Group Treasurer of the Issuer on 19 June 2015. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.
2. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the 12 months from the date of the Base Prospectus or the Base Listing Particulars (as applicable) to be admitted to the official list of the Irish Stock Exchange and trading on its regulated market and its Global Exchange Market. It is expected that each Series of Notes which is to be admitted to the Irish Stock Exchange will be admitted separately as and when it is issued, subject only to the issue of the relevant Notes (in Bearer or Registered form and in global or definitive form).

It is further expected that the admission of Notes issued under the Programme to trading on the Luxembourg Stock Exchange's regulated market will be granted after the Central Bank has provided the CSSF with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive. Prior to the listing of any Notes, the constitutional documents of the Issuer and the legal notice relating to the issue were registered with the *Registre de Commerce et des Sociétés à Luxembourg* where copies of these documents may be obtained upon request. The Luxembourg Stock Exchange has allocated the number 12392 to the Programme. It is further expected that the admission of Notes, issued under the Programme to trading on the Luxembourg Stock Exchange's Euro MTF Market, will be granted.

It is further expected that this Base Listing Particulars 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 Listing Particulars (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 the Notes are outstanding and admitted to listing on the official list and to trading on the regulated market of the Luxembourg Stock Exchange and/or the Euro MTF Market of the Luxembourg Stock Exchange and/or listed on the official list and admitted to trading on the Irish Stock Exchange's Main Securities Market and/or to listing on the SIX Swiss Exchange there shall occur any significant new factor which is not reflected in this Base Prospectus/Base Listing Particulars (or any supplements thereto or any of the documents incorporated by reference in this Base Prospectus/Base Listing Particulars) and/or there shall be any material mistake or inaccuracy relating to the information included in this Base Prospectus/Base Listing Particulars (or any supplements thereto or any of the documents incorporated by reference in this Base Prospectus/Base Listing Particulars), 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/Base Listing Particulars or, as the case may be, publish a new Base Prospectus/Base Listing Particulars for use in connection with any subsequent offering by the Issuer of Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or the Euro MTF Market of the Luxembourg Stock Exchange and/or the Irish Stock Exchange's Main Securities Market and/or to the SIX Swiss Exchange.
4. Save as disclosed in paragraph 7.4 (*Litigation, Regulatory and Similar Matters*) of the Description of UBS AG section in this Base Prospectus/Base Listing Particulars, no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) which may have, or have had in the recent past, significant effects on UBS AG's and/or UBS AG Group's financial position or profitability, are or have been pending during the last twelve months until the date of this Base Prospectus/Base Listing Particulars.
5. There has been no material adverse change in the prospects of the Issuer of the UBS AG Group since 31 December 2016. There has been no significant change in the financial or trading

position of UBS AG or UBS AG Group since 31 March 2017, which is the end of the last financial period for which interim financial information has been published.

6. For the years ended 31 December 2015 and 2016 the consolidated financial statements of UBS AG were audited, without qualifications, by Ernst & Young Ltd, chartered accountants. Ernst & Young Ltd is a member of EXPERTsuisse, the Swiss Expert Association for Audit, Tax and Fiduciary.
7. As long as any Notes are admitted to trading on the Luxembourg Stock Exchange's regulated market and the Euro MTF Market of the Luxembourg Stock Exchange, the Irish Stock Exchange's Main Securities Market, and the SIX Swiss Exchange, Paying Agents will be maintained in London, Luxembourg, Dublin and Zurich, respectively.
8. For so long as the Programme remains in effect or any Notes shall be outstanding, electronic versions of the following documents (including English translations where relevant) may be inspected at the registered office of the Issuer, the office of the Agent in London, the office of the Paying Agent in Luxembourg and the office of the Paying Agent in Dublin and, in the case of items (i), (ii) and (vi) below, shall be available free of charge from the office of the Paying Agent in Luxembourg:
 - (i) the Articles of Association of UBS AG;
 - (ii) the annual report of UBS Group AG and UBS AG as of 31 December 2016 and the annual report of UBS Group AG and UBS AG as of 31 December 2015;
 - (iii) the audited standalone financial statements of UBS Group AG for the year ended 31 December and the audited standalone financial statements of UBS AG for the year ended 31 December 2016;
 - (iv) the first quarter 2017 financial report of UBS Group AG and the first quarter 2017 financial report of UBS AG;
 - (v) the capitalisation table and ratio of earnings to fixed charges of UBS Group AG and UBS AG;
 - (vi) any amendment or supplement to this Base Prospectus/Base Listing Particulars published since the date of this Base Prospectus/Base Listing Particulars;
 - (vii) the Agency Agreement;
 - (viii) the Deed of Covenant; and
 - (ix) each Final Terms, Drawdown Prospectus or Pricing Supplement and subscription agreement for Notes that are admitted to trading on the Luxembourg Stock Exchange's regulated market, the Irish Stock Exchange's Main Securities Market or the SIX Swiss Exchange.
9. Notes will be issued in such denominations as may be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
10. Notes which may be listed on the Irish Stock Exchange's Main Securities Market and/or its Global Exchange Market and/or admitted to trading on the regulated market of the Luxembourg Stock Exchange and/or admitted to trading on a regulated market (for the purposes of MiFID) situated or operating in a member state of the European Union may not (a) have a minimum denomination of less than €1,000 (or nearly equivalent in another currency), or (b) carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes in registered form sold pursuant to Rule 144A shall be issued in denominations of US\$100,000 (or its equivalent in any other currency rounded upwards as

specified in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement) and higher integral multiples of US\$1,000 (or its equivalent as aforesaid).

11. In addition to the applications already described in this Base Prospectus, the Issuer may, on or after the date of this Base Prospectus, make applications for one or more further certificates of approval under Article 18 of the Prospectus Directive as implemented in Ireland to be issued by the Central Bank of Ireland to the competent authority in any Member State.
12. The Notes have been accepted for clearance through Euroclear and Clearstream Luxembourg. The appropriate codes allocated by Euroclear, Clearstream Luxembourg, Clearstream Frankfurt or any other clearing system for each Series of Notes, together with the relevant International Securities Identification Number, will be contained in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement relating thereto.
13. In the case of Bearer Notes (other than Bearer SIS Notes) in global form, held in a clearing system, investors will have certain direct rights of enforcement against the Issuer in the event of such global note becoming void ("**Direct Rights**"). The Direct Rights are contained in a Deed of Covenant executed by the Issuer, copies of which are available for inspection during normal business hours at the office of the Agent.
14. Regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism.
15. There are no material contracts having been entered into outside the ordinary course of the Issuer's business, and which could result in any member of the UBS AG Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Noteholders.
16. Except as provided in the relevant Final Terms, Drawdown Prospectus or Pricing Supplement, no expenses will be chargeable by the relevant Issuer to a Noteholder in connection with any offer of Notes. Any expenses chargeable by an Authorised Offeror to an Investor shall be charged in accordance with any contractual arrangements agreed between the Investor and such Authorised Offeror at the time of the relevant offer.
17. Notes may be issued at any price and on a fully paid basis, as specified in the relevant Final Terms or Drawdown Prospectus. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. In the case of different Tranches of a Series of Notes, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment date in respect of the Series) to the issue date of the relevant Tranche.
18. The yield of each Tranche of Notes will be calculated by interpolation on an annual or semi-annual basis using the relevant issue price at the relevant issue date, using the formula below, and will be specified in the applicable Final Terms or Pricing Supplement. It is not an indication of future yield.

$$P = \frac{C}{r}(1 - (1 + r)^{-n}) + A(1 + r)^{-n}$$

Where:

"P" is the Issue Price of the Notes;

"C" is the annualised Interest Amount;

"A" is the principal amount of the Notes due on redemption;

"n" is the time to maturity in years; and

"r" is the annualised yield.

19. Arthur Cox Listing Services Limited is acting solely in its capacity as Irish listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the official list or to trading on the Main Securities Market of the Irish Stock Exchange for the purposes of the Prospectus Directive or the Global Exchange Market of the Irish Stock Exchange.
20. The language of this Base Prospectus/Base Listing Particulars 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.

REGISTERED OFFICES OF UBS AG

Aeschenvorstadt 1

4002 Basel
Switzerland

Bahnhofstrasse 45

8001 Zurich
Switzerland

UBS AG BRANCHES

UBS AG Australia Branch

Level 16, Chifley Tower
2 Chifley Square
Sydney NSW 2000
Australia

UBS AG Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

UBS AG Jersey Branch

1 IFC
St Helier JE2 3BX
Jersey

UBS AG London Branch

5 Broadgate
London
EC2M 2QS
UK

DEALERS

UBS Limited

5 Broadgate
London
EC2M 2QS
UK

UBS AG

Bahnhofstrasse 45
8001 Zurich
Switzerland

UBS Securities LLC

1285 Ave. of the Americas
New York, NY 10019
United States of America

AGENT

The Bank of New York Mellon,
acting through its London Branch

One Canada Square
London E14 5AL
United Kingdom

IRISH PAYING AGENT

The Bank of New York Mellon SA/NV Dublin
Branch

Hanover Building
Windmill Lane
Dublin 2
Ireland

REGISTRARS

U.S. Bank Trust National Association

100 Wall Street
New York NY 10005
United States of America

The Bank of New York Mellon **SA/NV, Luxembourg Branch**

Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Luxembourg

LUXEMBOURG PAYING AGENT

The Bank of New York Mellon
SA/NV, Luxembourg Branch

Vertigo Building- Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Luxembourg

TRANSFER AGENT

The Bank of New York Mellon,
acting through its London Branch

Canada Square
London E14 5AL
United Kingdom

LUXEMBOURG LISTING AGENT

**The Bank of New York Mellon
SA/NV, Luxembourg Branch**
Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Luxembourg

IRISH LISTING AGENT

Arthur Cox Listing Services Limited
Arthur Cox Listing Services Limited
Ten Earlsfort Terrace
Dublin 2
Ireland

LEGAL ADVISERS

To the Dealers as to English law

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

To the Issuer as to Swiss law

Homburger AG
Hardstrasse 201
8005 Zurich
Switzerland

To the Dealers as to Australian law

King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000
Australia

To the Dealers as to Jersey law

Carey Olsen
47 Esplanade
St. Helier
Jersey

AUDITORS

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