

Amendment to Program Information

UBS Group Funding (Switzerland) AG

AMENDMENT TO PROGRAM INFORMATION

Type of Information:	Amendment to Program Information
Date of Announcement:	08 August 2017
Issuer Name:	UBS Group Funding (Switzerland) AG
Name and Title of Representative:	Antonio Boné, Authorized Signatory
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Type of Securities:	Notes
Address of Website for Announcement:	http://www.jpx.co.jp/english/equities/products/tpbm/announcement/index.html
Names of the Lead Managers (for the purpose of this Program Information)*	UBS AG London Branch
Status of Submission of Annual Securities Reports or Issuer Filing Information:	None
Information on initial Program Information	
Date of Announcement:	21 June 2017
Scheduled Issuance Period:	22 June 2017 to 21 June 2018
Maximum Outstanding Issuance Amount:	Unlimited

This amendment, consisting of this cover page and the Second Supplement dated 07 August 2017 to the Base Prospectus dated 10 March 2017, is filed to update the information included in the Program Information dated 21 June 2017. This constitutes an integral part of the Program Information dated 21 June 2017 and shall be read together with it.

*Note: On this cover page, the heading "Names of the Arrangers (for the purpose of this Program Information)" has been replaced with "Names of the Lead Managers (for the purpose of this Program Information)".

UBS GROUP FUNDING (SWITZERLAND) AG

Senior Debt Programme

Guaranteed by

UBS GROUP AG

This second supplement (the "**Base Prospectus Second Supplement**") to the base prospectus dated 10 March 2017, as amended by the supplement dated 11 May 2017 (the "**Base Prospectus**"), is prepared in connection with the Senior Debt Programme (the "**Programme**") of UBS Group Funding (Switzerland) AG (the "**Issuer**") and guaranteed by UBS Group AG (the "**Guarantor**").

This Base Prospectus Second Supplement constitutes a supplement for the purposes of Article 18 of the Additional Rules of Bonds by SIX Exchange Regulation. Terms defined in the Base Prospectus have the same meaning when used in this Base Prospectus Second Supplement.

This Base Prospectus Second Supplement is supplemental to and should be read in conjunction with the Base Prospectus. The purpose of this Base Prospectus Second Supplement is to reflect certain recent developments in relation to the Issuer and the Guarantor.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus Second Supplement. Each of the Issuer and the Guarantor declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Base Prospectus, as supplemented by this Base Prospectus Second Supplement, to the best of its knowledge, is correct and no material facts or circumstances have been omitted therefrom.

To the extent that there is any inconsistency between (a) any statement in this Base Prospectus Second Supplement or any statement incorporated by reference into the Base Prospectus, as supplemented by this Base Prospectus Second Supplement, and (b) any other statement in or incorporated by reference in the Base Prospectus, the statement described in (a) above will prevail.

The language of this document is English.

Any websites referred to within this Base Prospectus Second Supplement, including www.ubs.com/investors, do not form part of this Base Prospectus Second Supplement.

AMENDMENTS TO THE "DOCUMENTS INCORPORATED BY REFERENCE" SECTION

In addition to the documents indicated in the "*Documents Incorporated by Reference*" section on page 5 of the Base Prospectus, the following documents are incorporated by reference in the Base Prospectus:

- (g) UBS Group AG's second quarter 2017 financial report (the "**Second Quarter 2017 Report**"), which UBS Group AG furnished on Form 6-K to the SEC on 28 July 2017 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_83f3/link_1777008505.file/bGluay9wYXRoPS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL2Fib3V0X3Vicy9pbnZlc3Rvc19yZWxhdGlvbnMvc2VjLWZpbGluZ3MvMjAxNy82ay1mdWxsLXJlcG9ydC11YnMtZ3JvdXAAtYWctY29uc29saWRhdGVkLTJxMTcucGRm/6k-full-report-ubs-group-ag-consolidated-2q17.pdf); and
- (h) UBS Group AG's Form 6-K furnished to the SEC on 28 July 2017, containing UBS Group AG's standalone financial information, UBS Group Funding (Switzerland) AG's standalone interim financial statements and UBS Switzerland AG's standalone interim financial statements, for the half-year ended 30 June 2017 (accessible at https://www.ubs.com/global/en/about_ubs/investor_relations/sec/_jcr_content/par/accordionbox_4489/linklist_83f3/link_1494201948.1771911782.file/bGluay9wYXRoPS9jb250ZW50L2RhbS91YnMvZ2xvYmFsL2Fib3V0X3Vicy9pbnZlc3Rvc19yZWxhdGlvbnMvc2VjLWZpbGluZ3MvMjAxNy82ay1zdGFuZGFsb25lLXJlcG9ydGluZy0ycTE3LnBkZg==/6k-standalone-reporting-2q17.pdf).

AMENDMENTS TO THE "RISK FACTORS" SECTION

The "*Risk Factors – Risk relating to the Notes*" section on pages 7 to 20 inclusive of the Base Prospectus is amended by inserting the following risk factor at the end thereof:

Risks related to Notes which are linked to "benchmarks"

Since April 2013, the U.K. Financial Conduct Authority ("FCA") has regulated the London Interbank Offered Rate ("LIBOR"), the "benchmark" to which certain interest payments on Notes issued under the Programme may be linked. In July 2017, the FCA announced that it does not intend to continue to encourage, or use its power to compel, panel banks to provide rate submissions for the calculation of the LIBOR benchmark beyond the end of 2021 and that, as a result, there can be no guarantee that LIBOR will be determined after 2021 on the same basis at present, if at all. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to LIBOR that may be implemented in the United Kingdom or elsewhere.

Under the existing terms and conditions, if for any reason the LIBOR rate should become unavailable, the interest rate applicable to any Floating Rate Notes linked to the LIBOR benchmark will be determined by the Calculation Agent by averaging quotes obtained from reference banks, if available, or, if only one or no such quotes are available, by averaging rates for deposits in the specified currency obtained from reference banks, if any, or, if no such rates are available, by using the last available LIBOR rate, as described Condition 6(d) (*Floating Rate of Interest*). As a result, if the Calculation Agent is unable to obtain such quotes and rates and no amendment is made to the terms and conditions, such Floating Rate Notes will become fixed rate notes utilising the last available LIBOR rate determined under Condition 6(d). Additionally, absent any future amendment to the terms and conditions, such Floating Rate Notes will continue to pay interest at the fallback fixed rate even if a replacement index is subsequently established for LIBOR for use in connection with other securities or for other purposes. Uncertainty as to the continuation of LIBOR, the availability of quotes from reference banks to allow for the continuation of the floating rate on any Notes, and the rate that would be applicable if LIBOR is discontinued may adversely affect the trading market and the value of the Notes. At this time, it is not possible to predict what the effect of these developments will be or what the impact on the value of the Notes will be.

More generally, any of the above changes or any other consequential changes to LIBOR, EURIBOR, or any other "benchmark" as a result of international, national, or other proposals for reform or other initiatives or investigations, or any further uncertainty in relation to the timing and manner of implementation of such changes, could have a material adverse effect on the value of and return on any notes based on or linked to a "benchmark".

AMENDMENTS TO THE "DESCRIPTION OF THE ISSUER" SECTION

The sub-section "Financial Statements" of the "Description of the Issuer" section on page 89 of the Base

Prospectus is deleted and replaced by the following:

The Issuer was incorporated on 14 November 2016 and has not produced any audited financial statements since its incorporation. The Issuer has produced standalone semi-annual financial statements for the period ended 30 June 2017, published on 28 July 2017.

The sub-section "Recent and Future Developments" of the "Description of the Issuer" section on page 89 of the Base Prospectus is deleted and replaced by the following:

Recent and Future Developments:

The Issuer issued the following notes on 20 March 2017, which are guaranteed by the Guarantor:

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

The Issuer issued the following notes on 23 March 2017, which are guaranteed by the Guarantor:

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

The Issuer issued the following notes on 23 March 2017, which are guaranteed by the Guarantor:

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

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

In addition, subject to further regulatory review, UBS Group AG may in the future substitute the Issuer for itself as issuer under all its outstanding notes qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*), with a corresponding guarantee to be provided by UBS Group AG.

Furthermore, it is currently expected that some or all of the activities described under "*Principal Activities*" above will be transferred to other members of the Group. In particular, UBS Group AG currently expects to cause the Issuer to effect a Voluntary Issuer Substitution, so that UBS Group AG would become the issuer under all outstanding Notes after certain changes to Swiss tax law have come into effect. See "*Risk Factors - The Issuer may, without consent of the holders, substitute the Guarantor or another controlled subsidiary of UBS Group AG as the Issuer under the Notes*" on page 12 of this Base Prospectus.

AMENDMENTS TO THE "DESCRIPTION OF THE GUARANTOR" SECTION

The "*Description of the Guarantor*" section on pages 91-123 inclusive of the Base Prospectus is amended by, or supplemented with, the information contained in the documents incorporated by reference in the Base Prospectus, as supplemented by this Base Prospectus Second Supplement.

In particular, following the publication of the Second Quarter 2017 Report, certain sections of the "*Description of the Guarantor*" are deleted and replaced, as follows:

1. The sub-section "*Recent Developments*" of the "*Description of the Guarantor*" section on pages 94-100 inclusive of the Base Prospectus is deleted and replaced by the following:

3.4 Recent Developments

3.4.1 UBS's results as of and for the quarter and the six months ended 30 June 2017, as presented in the Second Quarter 2017 Report

Results 2Q17 compared with results 2Q16

Group: Profit before tax increased by CHF 13 million or 1% to CHF 1,502 million, driven by a

reduction in operating expenses, largely offset by lower operating income. Operating income decreased by CHF 135 million or 2%, mainly reflecting a CHF 182 million decrease in combined net interest and trading income and CHF 122 million lower other income, partly offset by CHF 208 million higher net fee and commission income. Operating expenses decreased by CHF 148 million or 3%, primarily driven by CHF 178 million lower general and administrative expenses, partly offset by a CHF 29 million increase in personnel expenses. UBS recognized an income tax expense of CHF 327 million for the second quarter of 2017 compared with an income tax expense of CHF 376 million for the second quarter of 2016.

In addition to reporting results in accordance with International Financial Reporting Standards ("IFRS"), UBS reports adjusted results that exclude items that management believes are not representative of the underlying performance of UBS's businesses. Such adjusted results are non-GAAP financial measures as defined by US Securities and Exchange Commission ("SEC") regulations. For the purpose of determining adjusted results for the second quarter of 2017, UBS excluded a gain of CHF 107 million on sale of financial assets available for sale, net foreign currency translation losses of CHF 22 million and net restructuring expenses of CHF 258 million. For the second quarter of 2016, UBS excluded a gain of CHF 123 million on sale of financial assets available for sale, gains on sales of real estate of CHF 120 million, net foreign currency translation losses of CHF 26 million, losses on sales of subsidiaries and businesses of CHF 23 million and net restructuring expenses of CHF 377 million. On this adjusted basis, profit before tax for the second quarter of 2017 was broadly unchanged at CHF 1,675 million.

Total operating income was CHF 7,269 million compared with CHF 7,404 million. On an adjusted basis, total operating income decreased by CHF 26 million to CHF 7,184 million, mainly reflecting a decrease of CHF 182 million in combined net interest and trading income and CHF 39 million higher net credit loss expenses, largely offset by a CHF 208 million increase in net fee and commission income. Total operating expenses decreased by CHF 148 million or 3% to CHF 5,767 million. Excluding net restructuring expenses of CHF 258 million compared with CHF 377 million, adjusted total operating expenses decreased by CHF 29 million or 1% to CHF 5,509 million.

Wealth Management: Profit before tax increased by CHF 64 million or 12% to CHF 582 million and adjusted¹ profit before tax increased by CHF 85 million or 14% to CHF 691 million, mainly reflecting higher operating income. Net new money was CHF 13.7 billion compared with CHF 6.0 billion.

Wealth Management Americas: Profit before tax increased by USD 62 million or 26% to USD 304 million and adjusted² profit before tax increased by USD 49 million or 17% to USD 330 million, driven by higher operating income, partly offset by higher operating expenses. Net new money outflows were USD 6.4 billion in the second quarter of 2017. In the same quarter last year, net new money was USD 2.4 billion.

Personal & Corporate Banking: Profit before tax decreased by CHF 178 million or 33% to CHF 356 million and adjusted³ profit before tax decreased by CHF 84 million or 18% to CHF 379 million, mainly driven by lower operating income. The annualized net new business volume growth rate for the personal banking business was 4.5% compared with 3.0%. Net new client assets and, to a lesser extent, net new loans were positive.

Asset Management: Profit before tax decreased by CHF 4 million or 4% to CHF 110 million and adjusted⁴ profit before tax decreased by CHF 15 million or 10% to CHF 133 million, mainly reflecting higher operating expenses. Excluding money market flows, net new money was CHF 10.2 billion compared with net outflows of CHF 8.8 billion.

Investment Bank: Profit before tax increased by CHF 167 million or 59% to CHF 451 million, while adjusted⁵ profit before tax decreased by CHF 28 million or 6% to CHF 419 million, primarily as a result of lower revenues in Foreign Exchange, Rates and Credit. Total operating expenses decreased by CHF 141 million or 8% to CHF 1,575 million and adjusted operating expenses decreased by

¹ Refer to the table "Performance by business division and Corporate Center unit – reported and adjusted", which is available in the "Group performance" section of the Second Quarter 2017 Report, for information on adjusting items.

² Refer to the table "Wealth Management Americas – in US dollars", which is available under "Wealth Management Americas" in the "Financial and operating performance" section of the Second Quarter 2017 Report for information on Wealth Management Americas' adjusting items in USD.

³ See footnote [1].

⁴ See footnote [1].

⁵ See footnote [1].

CHF 53 million or 3% to CHF 1,500 million. Compared with the first quarter of 2017, total risk-weighted assets ("**RWA**"), including RWA held by Corporate Center – Group Asset and Liability Management on behalf of the Investment Bank, increased by CHF 10 billion to CHF 76 billion as of 30 June 2017, mainly due to an increase in credit risk and market risk RWA. The leverage ratio denominator ("**LRD**"), including LRD held by Corporate Center – Group ALM on behalf of the Investment Bank, decreased by CHF 10 billion to CHF 267 billion as of 30 June 2017 compared with the first quarter of 2017.

Corporate Center – Services recorded a loss before tax of CHF 137 million compared with a loss of CHF 113 million, and an adjusted⁶ loss of CHF 137 million compared with a loss of CHF 213 million. Corporate Center – Group Asset and Liability Management recorded a loss before tax of CHF 104 million compared with a profit of CHF 44 million and on an adjusted basis⁷ recorded a loss before tax of CHF 81 million compared with a profit of CHF 70 million. Corporate Center – Non-core and Legacy Portfolio recorded a loss before tax of CHF 53 million compared with a loss of CHF 129 million.

Results 6M17 compared with results 6M16

Group: Profit before tax increased by CHF 725 million or 29% to CHF 3,192 million. Operating income increased by CHF 564 million or 4%, mainly reflecting CHF 468 million higher net fee and commission income and a CHF 229 million increase in combined net interest and trading income. Operating expenses decreased by CHF 161 million or 1%, largely driven by CHF 336 million lower general and administrative expenses.

On an adjusted basis⁸, profit before tax increased by CHF 571 million or 19%, driven by higher operating income.

Adjusted⁹ operating income increased by CHF 550 million or 4%, mainly reflecting CHF 468 million higher net fee and commission income, primarily due to CHF 213 million higher underwriting fees, largely in the Investment Bank, and a CHF 211 million increase in portfolio management and advisory fees, mainly in Wealth Management Americas. Furthermore, combined net interest and trading income increased by CHF 229 million, primarily in Wealth Management Americas and in the Investment Bank, partly offset by a decrease in Personal & Corporate Banking. This was partly offset by a CHF 110 million decrease in adjusted other income, mainly due to lower gains on sales of financial assets available for sale.

Adjusted¹⁰ operating expenses decreased by CHF 21 million, primarily as the first six months of 2017 included a CHF 71 million UK bank levy credit related to prior years, CHF 69 million lower net expenses for provisions for litigation, regulatory and similar matters and a CHF 67 million decrease in professional fees. This was largely offset by a CHF 159 million increase in financial advisor compensation in Wealth Management Americas and higher expenses for variable compensation.

Balance sheet, liquidity and funding management – key developments

As of 30 June 2017, balance sheet assets totalled CHF 891 billion, a decrease of CHF 19 billion from 31 March 2017. Total assets excluding positive replacement values ("**PRVs**") also decreased by CHF 19 billion to CHF 769 billion, mainly resulting from the weakening of the US dollar against the Swiss franc. Excluding currency effects, total assets excluding PRVs decreased by CHF 6 billion, mainly due to the completion of the sale of a life insurance subsidiary within Wealth Management.

In the second quarter of 2017, UBS's liquidity coverage ratio ("**LCR**") increased 3 percentage points to 131%, remaining above the 110% Group LCR minimum communicated by FINMA. The increase in LCR primarily resulted from a decrease in net cash outflows, mainly related to secured lending, financial liabilities designated at fair value and customer deposits. This decrease was partly offset by a reduction in eligible HQLA, resulting from increased liquidity requirements applicable to UBS's US operations.

As of 30 June 2017, UBS's estimated pro forma net stable funding ratio ("**NSFR**") was 110%, a

⁶ See footnote [1].

⁷ See footnote [1].

⁸ See footnote [1].

⁹ See footnote [1].

¹⁰ See footnote [1].

decrease of 1 percentage point from 31 March 2017, primarily reflecting a decrease in available funding, mainly driven by deposit reductions, partly offset by a decrease in required funding. The calculation of UBS's pro forma NSFR includes estimates of the effect of the Basel Committee on Banking Supervision ("**BCBS**") rules and interpretation and will be refined as FINMA NSFR rules are finalized, regulatory interpretations evolve and as new models and associated systems are enhanced. UBS's pro forma NSFR does not consider the proposed NSFR regulation in Switzerland, for which the consultation period recently closed. The proposed regulation contemplates an effective date of 1 January 2018; however, UBS expects the effective date to be postponed. If implemented as proposed, the new requirements are expected to have a moderate negative impact on UBS's Group NSFR and could result in a significant increase in long-term funding requirements on a legal entity level.

Capital management – key developments

During the second quarter of 2017, UBS's fully applied common equity tier 1 ("**CET1**") capital ratio decreased 0.6 percentage points to 13.5% as of 30 June 2017, reflecting an increase in RWA of CHF 14.9 billion, partly offset by an increase of CHF 0.6 billion in CET1 capital. In the second quarter of 2017, UBS's fully applied CET1 leverage ratio increased 0.1 percentage points to 3.7% as of 30 June 2017, due to a CHF 20 billion decrease in LRD and a CHF 0.6 billion increase in CET1 capital. On a phase-in basis, UBS's CET1 capital ratio decreased 0.8 percentage points to 14.8%, while UBS's CET1 leverage ratio increased 0.2 percentage points to 4.1%. On a fully applied basis, UBS's gone concern loss-absorbing capacity ratio decreased 1.0 percentage point to 14.0% primarily driven by the aforementioned increase in RWA. UBS's gone concern leverage ratio increased 0.1 percentage points to 3.9%.

During the second quarter of 2017, fully applied RWA increased by CHF 14.9 billion to CHF 236.7 billion, driven by methodology, policy changes and model updates of CHF 14.0 billion and asset size and other movements of CHF 6.3 billion, partly offset by currency effects of CHF 2.9 billion and a reduction in regulatory add-ons of CHF 2.5 billion. The majority of the RWA increase was due to regulatory-driven methodology changes and regulatory inflation, most of which are an advance on increases expected upon the finalization of Basel III rules.

Also during the second quarter of 2017, the fully applied LRD decreased by CHF 20 billion to CHF 861 billion, driven by currency effects of CHF 16 billion, asset size and other movements of CHF 3 billion and incremental netting and collateral mitigation of CHF 2 billion.

3.4.2 Regulatory and legal developments

Transfer of shared services functions to UBS Business Solutions AG

In the second quarter of 2017, shared services functions in Switzerland were transferred from UBS AG to UBS Business Solutions AG, UBS's Group service company and a wholly owned subsidiary of UBS Group AG. The implementation of UBS Business Solutions AG, which is expected to enable UBS to maintain operational continuity of critical services if it becomes subject to recovery or resolution measures, represents an important step toward improved resolvability and is in line with global guidance defined by the Financial Stability Board.

Following the transfer, UBS Business Solutions AG charges other legal entities within the Group for services provided, including a markup on costs incurred. As with other transfers to UBS's Group service company, this transfer to UBS Business Solutions AG has no effect on the reported results of UBS's business divisions.

The transfer of shared services functions in Switzerland did not have a material effect on the UBS Group AG consolidated financial statements. However, this transfer of shared services within the Group resulted in a decrease in net profit for UBS AG consolidated of approximately CHF 50 million under International Financial Reporting Standards and a decrease in net profit for UBS AG standalone of approximately CHF 40 million under Swiss generally accepted accounting principles in the second quarter of 2017. The effect of the transfer on the risk-weighted assets and leverage ratio denominator of UBS AG consolidated and UBS AG standalone was not material.

UBS expects to complete the transfer of shared services functions in the UK in the fourth quarter of 2017.

Consultation on tax law amendments related to loss-absorbing instruments

The Swiss Federal Department of Finance has commenced a consultation period with respect to proposed amendments to the participation relief provisions under current Swiss tax law that, if enacted, would reduce the additional tax burden on debt issuances by bank top holding companies. The proposed tax law changes would permit systemically important banking groups, such as UBS, to issue debt directly from their holding companies, as is required under the international capital framework and the Swiss Capital Adequacy Ordinance, without incurring significant corporate tax disadvantages, as is the case today under Swiss tax law. The consultation period ends on 29 September 2017.

Swiss corporate tax reform

Following the rejection of the Swiss corporate tax reform by popular referendum in February 2017, the Swiss Federal Council issued a revised proposal in June 2017. The new proposal has been modified in response to the referendum outcome, while maintaining the overall objective of the original reform proposals that seek to align the respective cantonal corporate tax regimes with international standards by, among other things, eliminating reduced holding company tax rates and other privileges. A consultation draft is expected to be issued by September 2017. The effect of the proposed reform on UBS will depend on the final form of the federal legislation and the cantonal implementation of the reforms.

US Department of Labor fiduciary rule becomes effective

The US Department of Labor ("**DOL**") fiduciary rule became effective on 9 June 2017. The rule remains under review by the DOL, and the effective dates of some requirements and conditions to exemptions have been deferred to January 2018. The rule significantly expands the circumstances that cause a person to become a fiduciary subject to the Employee Retirement Income Security Act of 1974 (ERISA) in relation to corporate and individual retirement plans. Wealth Management Americas has implemented changes to its compensation programs for financial advisors in relation to retirement plan accounts as well as to the product offerings for these plans. These changes are intended to comply with the rule while minimizing disruption to clients until all aspects of the rule become final. The effects of the DOL fiduciary rule on the financial performance of UBS's business remain uncertain.

Refer to "*Regulatory and legal developments*" section of the Second Quarter 2017 Report for information on further recent regulatory and legal developments.

2. The sub-section "*Trend information*" of the "*Description of the Guarantor*" section on pages 100-101 inclusive of the Base Prospectus is deleted and replaced by the following:

3.5 Trend information

As indicated in the Second Quarter 2017 Report, improved investor sentiment and enhanced confidence have translated into improvements in wealth management client activity levels. However, the persistence of low volatility levels and seasonality factors may continue to affect overall client activity. In addition, while UBS expects the global economic recovery to strengthen, geopolitical tensions and macroeconomic uncertainty still pose risks to client sentiment. Low and negative interest rates, particularly in Switzerland and the eurozone, put pressure on net interest margins, which may be partially offset by the effect of a further normalization of US monetary policy. Implementing Switzerland's new bank capital standards and further changes to national and international regulatory frameworks 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.

3. Updated information with respect to provisions and litigation, regulatory and similar matters can be found in Note 14 "Provisions and contingent liabilities" to the unaudited UBS Group AG interim consolidated financial statements, included in the Second Quarter 2017 Report.

AMENDMENTS TO THE "GENERAL INFORMATION" SECTION

1. Items 5 and 6 of the "*General information*" section on page 161 of the Base Prospectus are deleted and replaced by the following:

5. Except as otherwise disclosed in this Base Prospectus (including in the documents incorporated by reference herein), no material changes have occurred in the Guarantor's assets and liabilities, financial position or profits and losses since 30 June 2017.
6. Except as otherwise disclosed in this Base Prospectus (including in the documents incorporated by reference herein), no material changes have occurred in the Issuer's assets and liabilities, financial position or profits and losses since 30 June 2017.

The date of this Base Prospectus Second Supplement to the Base Prospectus is 7 August 2017.