

Amendment to Program Information

UBS Group Funding (Switzerland) AG

AMENDMENT TO PROGRAM INFORMATION

Type of Information:	Amendment to Program Information
Date of Announcement:	29 October 2018
Issuer Name:	UBS Group Funding (Switzerland) AG
Name and Title of Representative:	Antonio Boné, Authorized Signatory
Address of Head Office:	Bahnhofstrasse 45, 8001 Zürich, Switzerland
Telephone:	+41 44 239 26 55
Contact Person:	Takashi Tsukioka, Attorney-at-law Motoki Saito, Attorney-at-law Hironobu Kumoto, Attorney-at-law Nagashima Ohno & Tsunematsu Address: JP Tower, 2-7-2 Marunouchi, Chiyoda-ku Tokyo 100-7036 Telephone: +81 3-6889-7000
Type of Securities:	Notes
Address of Website for Announcement:	https://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:	22 March 2018
Scheduled Issuance Period:	23 March 2018 to 22 March 2019
Maximum Outstanding Issuance Amount:	Unlimited

This amendment is filed to update the information included in the Program Information dated 22 March 2018. This constitutes an integral part of the Program Information dated 22 March 2018 and shall be read together with it.

The "Notes to Investors" contained in the cover of the Program Information dated 22 March 2018 shall be amended and updated as follows. The changes are indicated by underline below.

Prior to amendment:

8. In respect of the guaranteed senior debt programme of the Issuer (the "**Programme**") under which the Notes may be issued in connection with this Program Information, the following solicited ratings were obtained from specified affiliated corporations (as defined in Article 116-3, Paragraph 2 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, Etc. (the "**Cabinet Office Ordinance**")); the same shall apply hereinafter) of registered credit rating firms under Article 66-27 of the FIEA: (i) A-, from Standard & Poor's Credit Market Services Europe Limited ("**S&P**") on 10 March 2017 and (ii) A+/F1, from Fitch Ratings Limited ("**Fitch**") on 20 March 2018. The credit rating firms have not been registered under Article 66-27 of the FIEA.

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

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

[...]

10. The following document shall be incorporated in, and to form part of, this Program Information:
 - (a) Base Prospectus dated 13 March 2018 with respect to UBS Group Funding (Switzerland) AG Senior Debt Programme Guaranteed by UBS Group AG for the issue of the Notes.

After amendment:

8. In respect of the guaranteed senior debt programme of the Issuer (the "**Programme**") under which the Notes may be issued in connection with this Program Information, the following solicited ratings were obtained from specified affiliated corporations (as defined in Article 116-3, Paragraph 2 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, Etc. (the "**Cabinet Office Ordinance**")); the same shall apply hereinafter) of registered credit rating firms under Article 66-27 of the FIEA: (i) A-, from Standard & Poor's Credit Market Services Europe Limited ("**S&P**") on 10 March 2017, (ii) A+/F1, from Fitch Ratings Limited ("**Fitch**") on 20 March 2018. The credit rating firms have not been registered under Article 66-27 of the FIEA.

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

S&P has S&P Global Ratings Japan Inc. (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 5) and Fitch has Fitch Ratings Japan Limited (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 7) within their respective groups as registered credit rating firms under Article 66-27 of the FIEA, and S&P and Fitch are specified affiliated

corporations of the respective registered credit rating firms above. The assumptions, significance and limitations of the credit ratings given by S&P and Fitch are made available on the respective websites of (i) S&P Global Ratings Japan Inc., at "Assumptions, Significance and Limits of Ratings" posted under "Information on Unregistered Credit Ratings" (<http://www.standardandpoors.co.jp/unregistered>) in the column titled "Library/Regulation" on its website (http://www.standardandpoors.com/ja_JP/web/guest/home), and (ii) Fitch Ratings Japan Limited, at "Assumptions, Significance and Limitations of Credit Ratings" posted in the "Regulatory Affairs" section in the column titled "About Fitch's Credit Rating Business" on the right bar on its website (<http://www.fitchratings.co.jp>), respectively, which are made available for the public on the Internet).

In addition, in respect of the Programme under which the Notes may be issued in connection with this Program Information, A was obtained from Rating and Investment Information, Inc. ("R&I") on 6 November 2017. R&I has been registered under Article 66-27 of the FIEA.

[...]

10. The following document shall be incorporated in, and to form part of, this Program Information:

- (a) Base Prospectus dated 13 March 2018 with respect to UBS Group Funding (Switzerland) AG Senior Debt Programme Guaranteed by UBS Group AG for the issue of the Notes.
- (b) the first supplement dated 6 April 2018 to the Base Prospectus dated 13 March 2018 with respect to UBS Group Funding (Switzerland) AG Senior Debt Programme Guaranteed by UBS Group AG for the issue of the Notes.
- (c) the second supplement dated 26 October 2018 to the Base Prospectus dated 13 March 2018 with respect to UBS Group Funding (Switzerland) AG Senior Debt Programme Guaranteed by UBS Group AG for the issue of the Notes.

First Supplement dated 6 April 2018 to the Base Prospectus dated 13 March 2018

UBS GROUP FUNDING (SWITZERLAND) AG

Senior Debt Programme

Guaranteed by

UBS GROUP AG

This first supplement (the "**Base Prospectus First Supplement**") to the base prospectus dated 13 March 2018 (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 First 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 First Supplement.

This Base Prospectus First Supplement is supplemental to, forms part of and must be read and construed in conjunction with, the Base Prospectus. The purpose of this Base Prospectus First Supplement is to reflect certain recent developments in relation to the Issuer and the Guarantor.

Each of the Issuer and the Guarantor assumes responsibility pursuant to article 27 of the SIX Listing Rules and section 4 of Scheme E thereunder for the completeness and accuracy of the Base Prospectus, as supplemented by this Base Prospectus First 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 First Supplement, 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 First Supplement or any statement incorporated by reference into the Base Prospectus by this Base Prospectus First 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.

The information contained on any websites or securities filings referenced herein or in any document incorporated by reference into the Base Prospectus by this Base Prospectus First Supplement do not form a part of this Base Prospectus First Supplement or the Base Prospectus unless otherwise specifically incorporated by reference herein or therein.

With effect from the date of this Base Prospectus First Supplement the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented in the manner described below.

AMENDMENTS TO THE "DOCUMENTS INCORPORATED BY REFERENCE" SECTION

Clause (e) in the "*Documents Incorporated by Reference*" section on page vi of the Base Prospectus is deleted and replaced by the following:

- (e) the articles of association of UBS Group AG dated 5 March 2018 (accessible at https://www.ubs.com/global/en/about_ubs/corporate-governance/aofassociation.html)

AMENDMENTS TO THE "DESCRIPTION OF THE ISSUER" SECTION

The sub-section "*Directors*" of the "*Description of the Issuer*" section on page 85 of the Base Prospectus is deleted and replaced by the following:

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


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

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

The Issuer is managed and controlled in Switzerland.


Opfikon
Place / Date 6.04.2018

By: Antonio Boné
Director

On behalf of the Issuer 

UBS Group Funding (Switzerland) AG

Place / Date Opfikon 6.04.2018

By: 

On behalf of the Guarantor
Armin Wagner
UBS Group AG
Executive Director

Opfikon 6.04.2018
Place / Date

By: Cindy von Känel
Associate Director

On behalf of the Issuer 

UBS Group Funding (Switzerland) AG

Place / Date Opfikon 6.04.2018

By: 

On behalf of the Guarantor
UBS Group AG Philipp Moehrle
Executive Director

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 13 March 2018 as amended by the first supplement dated 6 April 2018 (together, 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 AG. 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, forms part of and must be read and construed 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 assumes responsibility pursuant to article 27 of the SIX Listing Rules and section 4 of Scheme E thereunder for the completeness and accuracy of the Base Prospectus, as supplemented by 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, 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 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.

The information contained on any websites or securities filings referenced herein or in any document incorporated by reference into the Base Prospectus by this Base Prospectus Second Supplement do not form a part of this Base Prospectus Second Supplement or the Base Prospectus unless otherwise specifically incorporated by reference herein or therein.

With effect from the date of this Base Prospectus Second Supplement, (i) the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented in the manner described below, and (ii) all references in the Base Prospectus to "the Base Prospectus" shall be construed as references to the Base Prospectus as supplemented by 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 vi of the Base Prospectus, the following documents are incorporated by reference in the Base Prospectus, and the current items (d) to (f) are renumbered accordingly:

- (d) UBS Group AG's first quarter 2018 financial report (the "**First Quarter 2018 Report**"), which UBS Group AG furnished on Form 6-K to the SEC on 23 April 2018 (accessible at
- (e) UBS Group AG's second quarter 2018 financial report (the "**Second Quarter 2018 Report**"), which UBS Group AG furnished on Form 6-K to the SEC on 24 July 2018 (accessible at
- (f) UBS Group AG's Form 6-K furnished to the SEC on 27 July 2018, 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 2018 (accessible at
- (g) UBS Group AG's third quarter 2018 financial report (the "**Third Quarter 2018 Report**"), which UBS Group AG furnished on Form 6-K to the SEC on 25 October 2018 (accessible at

AMENDMENTS TO THE "RISK FACTORS" SECTION

In the "*Risks relating to the Notes*" section of the Base Prospectus, the risk factor on page 12 of the Base Prospectus entitled "*The method pursuant to which the Floating Rate of Interest for any Floating Rate Note or Fixed Rate/Floating Rate Note is determined may adversely affect the value of and return on such Notes*" is hereby deleted and replaced by the following:

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

Certain Reference Rates, including LIBOR, and Reset Reference Rates are deemed to be, or are based on, "benchmarks" that are the subject of ongoing national and international regulatory scrutiny and reforms. Some of these reforms are already effective, while others are still to be formulated or implemented. For example, since April 2013, the U.K. Financial Conduct Authority ("FCA") has regulated LIBOR, a "benchmark" that may be specified as the Reference Rate for the purposes of determining the Floating Rate of Interest for Series of Floating Rate Notes and Fixed Rate/Floating Rate Notes (or that may be component of, or specified as, the Reset

Reference Rate for purposes of determining the Fixed Rate of Interest applicable to the Reset Period(s) for Series of Fixed Rate/Fixed Rate Notes), permitting issuers to continue to use LIBOR as a reference rate in securities such as the Notes. Efforts to transition from LIBOR to alternative benchmark rates are under way in several jurisdictions. The FCA announced in July 2017 that it will not continue beyond 2021 to regulate LIBOR or take other actions to sustain LIBOR as a benchmark, and urged users of LIBOR to plan the transition to alternative reference rates. As a result, there can be no guarantee that LIBOR will be determined after 2021 on the same basis at present, if at all.

In the third quarter of 2018, the working group on euro risk-free rates recommended ESTER (euro short-term rate) as the replacement for EONIA (Euro OverNight Index Average), which will be prohibited by the EU Benchmark Regulation after 1 January 2020. Futures contracts referenced to the Secured Overnight Financing Rate (SOFR), the recommended successor to US dollar LIBOR (London Interbank Offered Rate), began trading on the Chicago Mercantile Exchange. The Bank of England consulted on the development of Term SONIA (Sterling Overnight Index Average) Reference Rates, which are expected to become available in the second half of 2019. The International Swaps and Derivatives Association, as part of a Financial Conduct Authority ("FCA") mandate, consulted on preferred options for LIBOR transition fallbacks for derivatives. The FCA and the Prudential Regulation Authority have written to the CEOs of banks and insurance companies in the UK, including UBS, seeking assurance that senior managers and boards understand the risks associated with the transition away from IBOR and are taking appropriate preparatory action to transition to alternative rates before the end of 2021. In July 2018, the International Swaps and Derivatives Association launched a market-wide consultation on technical issues related to new benchmark fallbacks for derivatives contracts that reference certain IBORs.

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 IBORs that may be implemented in the United Kingdom or elsewhere. UBS has a substantial number of contracts linked to IBOR and has established a cross-divisional, cross-regional governance structure and change program to address the scale and complexity of the transition from 2018 to 2021. Discontinuance of, or changes to, benchmark rates as a result of these developments or other initiatives or investigations, as well as uncertainty as to the timing and manner of implementation of such changes or discontinuance, may require adjustments to agreements by UBS, its clients and other market participants, as well as to UBS's systems and processes.

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

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

determined by an Independent Adviser or the Issuer in accordance with the terms of Condition 6(d)(ii)(c), the Independent Adviser (in consultation with the Issuer) or the Issuer, as the case may be, may also, following consultation with the Calculation Agent, determine whether to apply an adjustment spread (which spread may be positive or negative), or formula or methodology for calculating such a spread, to such Alternative Reference Rate in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to Holders as a result of the replacement of the Existing Reference Rate with the Alternative Reference Rate. If it has been determined that the Existing Reference Rate has been discontinued, but (i) the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Benchmark Rate, and (ii) the Issuer is unable or unwilling to determine the Alternative Reference Rate, the Floating Rate of Interest for the Affected Interest Period will be determined by reference to the Floating Rate of Interest determined as at the last preceding Interest Determination Date (or, in the case of the first Interest Period for Fixed Rate/Floating Rate Notes, will be equal to the Fixed Rate of Interest).

The use of an Alternative Reference Rate (including the determination to use (or not use) and adjustment spread, if applicable) may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on such Notes if the Existing Reference Rate remained available in its current form. Furthermore, if the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Reference Rate, the Issuer may have to exercise its discretion to determine (or to elect not to determine) an Alternative Reference Rate in a situation in which it is presented with a conflict of interest. In the case of Fixed Rate/Floating Rate Notes, if the applicable Pricing Supplement includes a mechanism for establishing an alternative rate to the Reset Reference Rate should the Reset Reference Rate be discontinued that is similar to the mechanism for Floating Rate Notes and Fixed Rate/Floating Rate Notes described above, comparable risks will apply to such Fixed Rate/Floating Rate Notes.

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

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

AMENDMENTS TO THE "DESCRIPTION OF THE ISSUER" SECTION

1. The sub-section "*Distributions and Dividends*" of the "*Description of the Issuer*" section on page 87 of the Base Prospectus is deleted and replaced by the following:

Distributions and Dividends

For the period from its incorporation on 14 November 2016 to 31 December 2017, the Issuer paid a dividend of CHF 3,172,669.14 to UBS Group AG.

2. The sub-section "*Financial Statements*" of the "*Description of the Issuer*" section on page 87 of the Base Prospectus is deleted and replaced by the following:

Financial Statements

The Issuer was incorporated on 14 November 2016 and has produced audited standalone financial statements as of 31 December 2017 and an audited income statement for the period from its incorporation to 31 December 2017, published on 9 March 2018. In addition, the Issuer has published unaudited interim standalone financial statements for the half-year ended 30 June 2018, published on 27 July 2018.

Following the change of UBS Group AG's functional currency effective 1 October 2018, as well as the change of the presentation currency for its consolidated financial statements, from Swiss francs to US dollars, the Issuer also elected to change both its functional and presentation currency from Swiss francs to US dollars. Consequently, the Issuer's financial statements will be presented in USD commencing with its audited standalone financial statements for the year ended 31 December 2018.

3. The sub-section "*Recent and Future Developments*" of the "*Description of the Issuer*" section on pages 87-88 of the Base Prospectus is deleted and replaced by the following:

Recent and Future Developments

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

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

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

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

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

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

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

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

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

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

The Issuer issued the following notes that qualify as bail-in bonds (*Forderungen zur Verlusttragung bei Insolvenzmassnahmen*) on 17 April 2018, which are guaranteed by the Guarantor:

- EUR 1,750,000,000 1.25 per cent. Senior Notes due April 2025

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

In addition, UBS Group AG substituted the Issuer for itself under certain of its outstanding notes qualifying as additional tier 1 capital (*Zusätzliches Kernkapital*), consisting of (A) the USD 1,100,000,000 7.125 per cent. Tier 1 Subordinated Notes, (B) the USD 1,500,000,000 6.875 per cent. Tier 1 Subordinated Notes, (C) the USD 1,575,000,000 6.875 per cent. Tier 1 Subordinated Notes, (D) the EUR 1,000,000,000 5.75 per cent. Tier 1 Subordinated Notes, (E) the USD 1,250,000,000 7 per cent. Tier 1 Subordinated Notes and (F) the USD 1,250,000,000 7.125 per cent. Tier 1 Subordinated Notes (the "**Substituted AT1 Capital Notes**") with an effective date as of 25 May 2018 (the "**Substitution Effective Date**"). As of the Substitution Effective Date, with respect to each series of Substituted AT1 Capital Notes, the Guarantor issued a guarantee of the Issuer's payment obligations thereunder under for the benefit of the holders thereof.

Furthermore, it is currently expected that some or all of the activities described under "*Principal Activities*" above will be transferred to other members of the Group. In particular, UBS Group AG currently expects to cause the Issuer to effect a Voluntary Issuer Substitution so that UBS Group AG would become the issuer under all outstanding debt securities issued by the Issuer, including any Notes, after certain changes to Swiss tax law have come into effect. See "*Risk Factors - The Issuer may*,

without consent of the holders, substitute the Guarantor or another controlled subsidiary of UBS Group AG as the Issuer under the Notes" on page 6 of this Base Prospectus.

AMENDMENTS TO THE "DESCRIPTION OF THE GUARANTOR" SECTION

The "*Description of the Guarantor*" section on pages 89-117 inclusive of the Base Prospectus is deleted and replaced, as follows:

DESCRIPTION OF THE GUARANTOR

1. Overview

UBS Group AG with its subsidiaries (together, the "**UBS Group**", or "**Group**" or "**UBS**") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and the business divisions Global Wealth Management, Personal & Corporate Banking, Asset Management and the Investment Bank. UBS's strategy is centered on its leading Global Wealth Management business and its premier universal bank in Switzerland, which are enhanced by Asset Management and the Investment Bank. UBS focuses on businesses that, in its opinion, have a strong competitive position in their targeted markets, are capital efficient, and have an attractive long-term structural growth or profitability outlook.

On 30 September 2018, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 13.5%, the CET1 leverage ratio was 3.80%, the total loss-absorbing capacity ratio was 31.8% on a fully applied basis, and the total loss-absorbing capacity leverage ratio was 8.9% on a fully applied basis.¹ On the same date, invested assets stood at CHF 3,267 billion, equity attributable to shareholders was CHF 51,122 million and market capitalisation was CHF 59,754 million. On the same date, UBS employed 65,556 people².

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

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

No profit forecasts or estimates are included in this document.

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

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

2. Corporate Information

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

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

¹ All figures based on the Basel III framework as applicable to Swiss systemically relevant banks. Refer to the "*Capital management*" section of the Annual Report 2017 and of the Third Quarter 2018 Report, as defined herein, for more information.

² Full-time equivalents.

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

According to article 2 of the Articles of Association of UBS Group AG (the "**Articles of Association**"), the purpose of UBS Group AG is to acquire, hold, manage and sell direct and indirect participations in enterprises of any kind, in particular in the area of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS Group AG may establish enterprises of any kind in Switzerland and abroad, hold equity interests in these enterprises, and conduct their management. UBS Group AG is authorised to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS Group AG may provide loans, guarantees and other kinds of financing and security for Group companies and borrow and invest money on the money and capital markets. The Articles of Association were last revised on 5 March 2018.

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

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

3. **Business Overview**

3.1 **Organisational Structure of UBS Group**

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

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

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

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

In 2015, UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK. Given the continuing uncertainty on transition arrangements and the potential future restrictions on providing financial services into the EU from the UK, UBS is in the process of obtaining regulatory approvals for the merger of UBS Limited into UBS Europe SE. The timing and extent of the actions UBS takes may vary considerably from its current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.

Following the announcement by the China Securities Regulatory Commission that foreign investors will be permitted to increase their ownership percentages in China affiliates to a cap of 51%, and may be allowed to increase their ownership up to 100% in 2021, UBS submitted in May 2018 a preliminary application to increase the shareholding in its China affiliate, UBS Securities Co. Limited, from 24.99% to 51%. The transaction is subject to completion of a share purchase from existing shareholders and regulatory approval.

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU, and adjustments to the booking entity or location of products and services. Refer to "*Risk Factors - UBS has announced its intention to make certain structural changes in light of regulatory trends and requirements*" above.

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

3.2 **Business Divisions and Corporate Center**

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

Global Wealth Management

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

Personal & Corporate Banking

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

Asset Management

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

Investment Bank

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

Corporate Center

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

3.3 Competition

The financial services industry is characterised by intense competition, continuous innovation, restrictive, detailed, and sometimes fragmented regulation and ongoing consolidation. UBS faces competition at the level of local markets and individual business lines, and from global financial institutions that are

comparable to UBS in their size and breadth. Barriers to entry in individual markets and pricing levels are being eroded by new technology. UBS expects these trends to continue and competition to increase.

3.4 Recent Developments

3.4.1 UBS's results as of and for the quarter and nine months ended 30 September 2018, as presented in the Third Quarter 2018 Report

Results 3Q18 compared with results 3Q17

Group: Profit before tax increased by CHF 447 million or 37% to CHF 1,668 million, reflecting a decrease in operating expenses and higher operating income. Operating income increased by CHF 134 million or 2%, mainly reflecting CHF 134 million higher net fee and commission income. Operating expenses decreased by CHF 313 million or 5%, primarily due to CHF 327 million lower general and administrative expenses. UBS recognized an income tax expense of CHF 419 million for the third quarter of 2018 compared with an income tax expense of CHF 272 million for the third quarter of 2017.

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. Following the completion of UBS's CHF 2.1 billion cost reduction program at the end of 2017 ("legacy cost programs"), UBS expects residual restructuring expenses incurred in connection with legacy cost programs, as well as expenses relating to new restructuring initiatives, of approximately CHF 0.5 billion for the full year 2018 and approximately CHF 0.2 billion in 2019. For the purpose of determining adjusted results for the third quarter of 2018, UBS excluded gains of CHF 30 million on sale of real estate and gains of CHF 25 million on sale of subsidiaries and businesses, as well as net restructuring expenses of CHF 120 million related to legacy cost programs and new restructuring initiatives. For the third quarter of 2017, UBS excluded net restructuring expenses of CHF 285 million. On this adjusted basis, profit before tax for the third quarter of 2018 increased by CHF 227 million or 15% to CHF 1,733 million, driven by CHF 148 million or 3% lower operating expenses and a CHF 79 million or 1% increase in operating income. In US dollar terms, adjusted profit before tax increased 14%.

Total operating income increased by CHF 134 million or 2% to CHF 7,279 million. On an adjusted basis, total operating income increased by CHF 79 million or 1% to CHF 7,224 million, mainly reflecting a CHF 134 million increase in net fee and commission income. Total operating expenses decreased by CHF 313 million or 5% to CHF 5,611 million. Excluding net restructuring expenses of CHF 120 million (third quarter of 2017: CHF 285 million) related to legacy cost programs and new restructuring initiatives, adjusted total operating expenses decreased by CHF 148 million or 3% to CHF 5,491 million.

Global Wealth Management: Profit before tax increased by CHF 30 million or 3% to CHF 932 million, while adjusted³ profit before tax decreased by CHF 38 million or 4% to CHF 1,003 million, reflecting higher operating expenses, partly offset by higher operating income. In US dollar terms, adjusted⁴ profit before tax decreased 5%. Net new money inflows were CHF 13.5 billion compared with inflows of CHF 2.4 billion, an annualized net new money growth rate of 2.3% compared with 0.4%.

Personal & Corporate Banking: Profit before tax increased by CHF 2 million to CHF 413 million. Adjusted⁵ profit before tax decreased by CHF 14 million or 3% to CHF 422 million. Effective from 1 January 2018, UBS has reclassified certain expenses for clearing, credit card add-on services, and the client loyalty program, which are incremental and incidental to revenues on a prospective basis, to better align these expenses with their associated revenues within operating income. This resulted in an CHF 18 million reduction in total operating income in the third quarter of 2018, of which CHF 16 million related to transaction-based income, and a broadly corresponding decrease in total operating expenses, including a CHF 17 million reduction in general and administrative expenses. The annualized net new business volume growth rate for the personal banking business was 4.5% compared with 3.7%. Net new client assets and, to a lesser extent, net new loans were positive.

Asset Management: Profit before tax decreased by CHF 7 million or 6% to CHF 120 million. Adjusted⁶ profit before tax decreased by CHF 24 million or 16% to CHF 129 million, reflecting lower operating income, partly offset by reduced operating expenses. Excluding money market flows, net new money was

³ Refer to the table "Performance by business division and Corporate Center unit – reported and adjusted", which is available under "Group performance" section of the Third Quarter 2018 Report, for information on adjusting items.

⁴ See footnote 3.

⁵ See footnote 3.

⁶ See footnote 3.

CHF 0.4 billion compared with CHF 8.5 billion, an annualised net new money growth rate of 0.2% compared with 5.3%. UBS expects to see a continuation of the trend for clients to move invested assets into lower-margin passive products, which is expected to have a dampening effect on margins in future periods.

Investment Bank: Profit before tax increased by CHF 203 million or 75% to CHF 472 million and adjusted⁷ profit before tax increased by CHF 155 million or 44% to CHF 507 million, driven by higher revenues in Equities and Foreign Exchange, Rates and Credit. In US dollar terms, adjusted⁸ profit before tax increased 42%. Total operating expenses decreased by CHF 76 million or 5% to CHF 1,455 million and adjusted⁹ operating expenses decreased by CHF 28 million or 2% to CHF 1,420 million. Compared with the second quarter of 2018, total risk-weighted assets ("**RWA**"), including RWA held by Corporate Center – Group ALM on behalf of the Investment Bank, decreased by CHF 1 billion to CHF 81 billion, mainly due to a decrease in credit and counterparty credit risk RWA, reflecting exposure decreases in unutilized credit facilities and securities financing transactions, largely offset by increases from methodology and policy changes as well as regulatory add-ons. Also compared with the second quarter of 2018, the leverage ratio denominator ("**LRD**"), including LRD held by Corporate Center – Group ALM on behalf of the Investment Bank, decreased by CHF 1 billion to CHF 283 billion. LRD held by the Investment Bank increased by CHF 7 billion to CHF 267 billion, mainly due to client-driven increases in trading portfolio assets, partly offset by currency effects. LRD held by Corporate Center – Group ALM on behalf of the Investment Bank decreased by CHF 8 billion to CHF 16 billion, mainly due to lower liquidity coverage ratio outflows attributed to the Investment Bank.

Corporate Center – Services recorded a loss before tax of CHF 118 million, compared with a loss of CHF 401 million, and an adjusted¹⁰ loss before tax of CHF 177 million compared with a loss of CHF 392 million. *Corporate Center – Group ALM* recorded a loss before tax of CHF 127 million compared with a loss before tax of CHF 67 million in the third quarter of 2017, mainly as a result of unfavourable market developments together with structural factors including higher outstanding long-term debt. On an adjusted basis, Group ALM recorded a loss before tax of CHF 126 million compared with a loss before tax of CHF 66 million. *Corporate Center – Non-core and Legacy Portfolio* recorded a loss before tax of CHF 24 million compared with a loss of CHF 22 million.

Results 9M18 compared with results 9M17

Group: Profit before tax increased by CHF 908 million or 21% to CHF 5,320 million. Operating income increased by CHF 585 million or 3%, mainly reflecting CHF 356 million higher net interest income and other net income from fair value changes on financial instruments as well as a CHF 336 million increase in net fee and commission income, partly offset by CHF 81 million lower other income. Operating expenses decreased by CHF 322 million or 2%, largely due to CHF 380 million lower general and administrative expenses, mainly due to a CHF 260 million decrease in net restructuring expenses and CHF 116 million lower net expenses for litigation, regulatory and similar matters, primarily as the third quarter of 2017 included expenses related to the resolution of the majority of outstanding indemnification claims related to UBS's sale of Banco UBS Pactual S.A. These decreases were partly offset by CHF 94 million higher depreciation and amortization expenses, mainly related to internally generated capitalised software. Personnel expenses were broadly unchanged at CHF 11,931 million as a gain of CHF 225 million related to changes to UBS's Swiss pension plan and CHF 187 million lower net restructuring expenses were largely offset by higher expenses for salaries and contractors. Salary expenses increased, mainly in Corporate Center – Services and primarily driven by the aforementioned insourcing of certain activities and staff from third-party vendors to UBS's Business Solutions Centers. Salary expenses also increased in Global Wealth Management. On an adjusted¹¹ basis, profit before tax increased by CHF 303 million or 6%, reflecting higher operating income, partly offset by an increase in operating expenses.

Adjusted¹² operating income increased by CHF 631 million or 3%, mainly due to a CHF 356 million increase in net interest income and other net income from fair value changes on financial instruments, primarily reflecting increases in the Investment Bank and in Global Wealth Management, partly offset by a decrease in Corporate Center. In addition, net fee and commission increased by CHF 336 million, mainly due to a CHF 572 million increase in investment fund fees and fees for portfolio management and related services, primarily in Global Wealth Management, as well as CHF 106 million higher M&A and corporate finance fees. These increases were partly offset by CHF 175 million lower underwriting fees, primarily reflecting lower equity underwriting fees in the Investment Bank, and a CHF 184 million increase in other fee and commission expense, mainly in Asset Management and predominantly due to the inclusion of fund

⁷ See footnote 3.

⁸ See footnote 3.

⁹ See footnote 3.

¹⁰ See footnote 3.

¹¹ See footnote 3.

¹² See footnote 3.

administration expenses, which were reported as operating expenses prior to the sale of Asset Management's fund administration business in October 2017.

Adjusted¹³ operating expenses increased by CHF 327 million or 2%, mainly due to a CHF 377 million increase in adjusted personnel expenses, primarily reflecting higher expenses for salaries and contractors, as well as a CHF 71 million increase in adjusted depreciation and amortization expenses. This was partly offset by CHF 121 million lower adjusted general and administrative expenses, almost entirely due to lower net expenses for litigation, regulatory and similar matters.

Risk management and control – key developments

Credit risk: UBS adopted IFRS 9, *Financial Instruments*, effective as of 1 January 2018. IFRS 9 introduces a forward-looking expected credit loss ("ECL") approach, which is intended to result in an earlier recognition of credit losses based on an ECL impairment approach compared with the incurred-loss impairment approach for financial instruments under IAS 39, *Financial Instruments: Recognition and Measurement* and the loss-provisioning approach for financial guarantees and loan commitments under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. Total net credit loss expenses were CHF 9 million in the third quarter of 2018, reflecting a CHF 20 million increase in losses from credit-impaired (stage 3) positions, mainly in Global Wealth Management and Personal & Corporate Banking. This was partly offset by an CHF 11 million decrease in expected credit losses from stage 1 and 2 positions, primarily in the Investment Bank and Personal & Corporate Banking.

Overall credit risk exposures were broadly unchanged during the third quarter of 2018. UBS continues to manage its Swiss lending portfolios prudently and remain watchful for any signs of deterioration that could affect counterparties. Within the Investment Bank, UBS's leveraged loan underwriting business continued to see a steady flow of transactions, the majority of which were sub-investment grade, and UBS's overall ability to distribute risk remained robust. Loan underwriting exposures are held for trading, with fair values reflecting the market conditions at the end of the quarter.

Market risk: UBS continued to manage market risks at generally low levels with management value-at-risk ("VaR") well within UBS's limits. Average management VaR (1-day, 95% confidence level) decreased to CHF 9 million from CHF 11 million in the previous quarter, mainly in the Investment Bank's credit trading business. There was no new Group VaR negative backtesting exception in the third quarter of 2018 and the total number of negative backtesting exceptions within a 250-business-day window remained at 2. The FINMA VaR multiplier for market risk RWA remained unchanged at 3.

As of 30 September 2018, the interest rate sensitivity of UBS's banking book to a +1 basis point parallel shift in yield curves was positive CHF 1.2 million compared with negative CHF 3.0 million as of 30 June 2018. The change in interest rate sensitivity was driven by the application of UBS's replication model for non-maturing deposits held in the US.

The interest rate sensitivity to a +1 basis point parallel shift in yield curves of the positions in the banking book that are valued through other comprehensive income ("OCI") was negative CHF 23 million as of 30 September 2018. This OCI sensitivity was predominantly attributable to cash flow hedges denominated in US dollars and, to a lesser extent, in euros and Swiss francs. The OCI associated with these cash flow hedges is not recognized for the purposes of calculating regulatory capital.

Country risk: UBS remains watchful of developments in Europe and political shifts in a number of countries. UBS's direct exposure to peripheral European countries remained limited, although UBS continues to have significant country risk exposure to major EU economies, including the UK, Germany and France. Italy's deficit and tensions between Italy and the EU remain an area of concern. UBS is closely monitoring the growing risks stemming from ongoing US trade policy shifts, and their potential impact on key markets, economies and countries. UBS remains comfortable with its direct exposure to China. A number of emerging markets, including Turkey, Argentina and Brazil, are facing economic, political and market pressures. UBS's exposures to these countries are small and its exposure to other emerging market countries is well diversified.

Operational risk: The pervasive consequential risk themes that continue to challenge UBS and the financial industry are operational resilience, conduct and culture, and financial crime. Operational resilience is the ability to respond to disruptions and maintain effective day-to-day business activities. Cyber security is critical to operational resilience, and UBS continues to invest in preemptive and detective measures to defend against evolving and highly sophisticated attacks. UBS's cyber security objectives are set in line with

¹³ See footnote 3.

prevailing international standards, and its investment priorities focus on behaviours, readiness to address a cyberattack, data protection, employee training, and application and infrastructure security.

Given the profile of UBS's wealth management businesses, geopolitical developments and heightened regulatory expectations, maintaining effective programs for prevention and detection of money laundering and for sanctions compliance remains a high priority for UBS. UBS continues to invest in improving its detection and monitoring capabilities, analytics and automation of its processes.

UBS has developed a comprehensive and sustainable remediation program to address regulatory requirements, particularly with respect to anti-money laundering requirements. Conduct risk remains one of the most significant risks across the industry and UBS continues its efforts to provide the right framework for the management of conduct risk. In 2018, UBS is continuing to focus on regulatory reporting, updating its regulatory process management framework and enhancing its regulatory developments tracking. UBS is also enhancing its operational risk framework assessment processes, including legal entity management reporting.

Balance sheet, liquidity and funding management – key developments

As of 30 September 2018, balance sheet assets totalled CHF 932 billion, a decrease of CHF 12 billion from 30 June 2018. Total assets excluding derivatives and cash collateral receivables on derivative instruments were broadly unchanged at CHF 797 billion, mainly as an increase in non-derivative assets was offset by CHF 8 billion of currency effects.

In the third quarter of 2018, the UBS Group liquidity coverage ratio ("**LCR**") decreased by 9 percentage points to 135%, remaining above the 110% Group LCR minimum communicated by the Swiss Financial Market Supervisory Authority ("**FINMA**"). The LCR decreased due to reduced high quality liquid assets ("**HQLA**"), primarily driven by an increase in assets subject to transfer restrictions in the US branches of UBS AG. In addition, net cash outflows increased, mainly driven by higher outflows related to secured financing transactions.

As of 30 September 2018, UBS's estimated pro forma net stable funding ratio ("**NSFR**") was 105%, a decrease of 2 percentage points from 30 June 2018, primarily reflecting a CHF 4 billion reduction in available stable funding, primarily driven by lower deposits and a CHF 4 billion increase in required stable funding, mainly due to increases in trading portfolio assets and loans. The calculation of UBS's pro forma NSFR includes estimates of the effect of the Basel Committee on Banking Supervision rules and will be refined when NSFR rule-making is completed in Switzerland and as regulatory interpretations evolve and new models and associated systems are enhanced.

Capital management – key developments

UBS's CET1 capital ratio increased 0.1 percentage points to 13.5%, reflecting a CHF 0.4 billion increase in CET1 capital and a CHF 0.1 billion decrease in RWA. UBS's CET1 leverage ratio increased from 3.75% to 3.80% in the third quarter of 2018, reflecting a CHF 4 billion decrease in the LRD, and the aforementioned increase in CET1 capital. UBS's gone concern loss-absorbing capacity ratio decreased 0.6 percentage points to 13.9%, mainly driven by the decrease in gone concern loss-absorbing capacity partly offset by the aforementioned decrease in RWA. UBS's gone concern leverage ratio decreased by 0.1 percentage points to 3.9%, as the decrease in gone concern loss-absorbing capacity was partly offset by the decrease in the LRD.

During the third quarter of 2018, RWA decreased by CHF 0.1 billion to CHF 252.2 billion, reflecting decreases due to asset size and other movements of CHF 5.8 billion and currency effects of CHF 1.5 billion, almost entirely offset by increases due to model updates of CHF 3.2 billion, methodology and policy changes of CHF 3.2 billion, and regulatory add-ons of CHF 0.8 billion. Also during the third quarter of 2018, the LRD decreased by CHF 4 billion to CHF 898 billion. This decrease was driven by currency effects of CHF 9 billion, partly offset by asset size and other movements of CHF 5 billion.

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

3.4.2 Accounting, Regulatory and legal developments

Adoption of IFRS 9

Effective 1 January 2018, UBS adopted IFRS 9, *Financial Instruments*. The adoption of IFRS 9 resulted in changes to the classification and measurement of certain financial instruments, which have been applied prospectively from 1 January 2018.

Changes to UBS functional and presentation currencies

Effective 1 October 2018 and as required by IAS 21, *The Effects of Changes in Foreign Exchange Rates*, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland has changed from Swiss francs to US dollars and the functional currency of UBS AG's London Branch operations has changed from British pounds to US dollars. In line with these changes, the presentation currency of UBS Group AG's and UBS AG's consolidated financial statements will change from Swiss francs to US dollars. Prior periods will be restated for this presentation currency change, with assets, liabilities and total equity converted to US dollars at historic closing exchange rates prevailing on the respective balance sheet dates, and income and expenses translated at the respective average rates prevailing for the relevant periods. There will be no material changes to prior-period profit and loss or total equity attributable to UBS shareholders. The restated historical financial data time series is available under "Quarterly reporting – Time series & spreadsheets" at www.ubs.com/investors.

Beginning with UBS's fourth quarter 2018 report, financial information will be presented in US dollars. In addition, UBS will continue to provide select financial and regulatory information in Swiss francs as part of its quarterly and annual reporting.

UBS expects that these functional and presentation currency changes, together with related changes to its risk management framework and certain hedging programs, should increase UBS Group reported net interest income by approximately USD 0.3 billion annually. Based on UBS's US dollar balance sheet as of mid-October 2018, post implementation of the presentation and functional currency changes and related hedging activities, UBS estimates that a parallel +100 basis point shift in yield curves would result in a combined increase in annual net interest income of Global Wealth Management and Personal & Corporate Banking of approximately USD 0.6 billion, or USD 0.1 billion higher compared with the sensitivity as of 30 September 2018. The sensitivity of shareholders' equity to such a shift in yield curves continues to be estimated as a decrease of approximately USD 1.9 billion recognized in Other comprehensive income ("OCI").

UBS estimates that, under a US dollar functional and presentation currency, a 10% depreciation of the US dollar against other currencies would reduce its CET1 capital ratio by 7 basis points and UBS's Swiss SRB going concern leverage ratio by 14 basis points. Conversely, UBS estimates that a 10% appreciation of the US dollar against other currencies would increase its CET1 capital ratio by 7 basis points and UBS's Swiss SRB going concern leverage ratio by 15 basis points.

The aforementioned estimates are calculated based on UBS's estimated US dollar balance sheet as of mid-October 2018 post implementation of the functional and presentation currency changes and related hedging activities.

Expected changes in methodology for deferred tax assets

Following the reduction in the US federal corporate tax rate to 21% from 35%, which was included in the Tax Cuts and Jobs Act enacted in the fourth quarter of 2017, and the reduction in timeframe between the end of our seven-year profit forecast period and the expiry of our US tax losses carried forward, UBS is reviewing its approach to the remeasurement of its US DTAs and the timing for recognizing deferred taxes in UBS's income statement. As a result of this review, which is ongoing and will depend in part on legal entity business plans that are expected to be finalized shortly, UBS expects to remeasure its US operations-related DTAs in Switzerland and in the US during the fourth quarter of 2018. These remeasurements are expected to include changes in recognized tax loss and temporary difference DTAs in respect of US profits, including the elimination of the seven-year profit forecast period limit for the tax loss DTAs related to UBS Americas Inc. However, these changes are anticipated to have a limited net effect on the tax expense and no effect on CET1 capital in the fourth quarter of 2018. As a result of the review, it is anticipated that US tax loss DTAs will begin to be amortized with effect from 1 January 2019.

Adoption of Swiss corporate tax reform

In September 2018, the Swiss Parliament adopted corporate tax reform measures, previously known as Tax Proposal 17, that abolish preferential corporate tax treatment for holding companies and introduce a series of tax measures that are aligned to Organisation for Economic Co-operation and Development (OECD) standards, aiming to maintain Switzerland's competitiveness as a business location. The measures include an optional relief on capital tax that compensates for the proposed elimination of the current preferential holding company capital tax rate. In addition, the cantonal share of direct federal tax revenue will be

increased, giving the cantons leeway to reduce their cantonal corporate income tax rate. If a referendum is not called, most measures will take effect in 2020, with some measures already taking effect in early 2019. The changes would increase UBS's tax liability in Switzerland by a modest amount; the changes in cantonal tax rates, if enacted, would be expected to largely offset such increase.

UK withdrawal from the EU

UBS has planned its response to the UK withdrawal from the EU assuming that the UK will leave the EU in March 2019 and that any transition arrangements will only become legally binding close to the exit date. Given the continuing uncertainty on transition arrangements and the potential future restrictions on providing financial services into the EU from the UK, UBS is in the process of obtaining regulatory approvals for the merger of UBS Limited, UBS UK-headquartered subsidiary, into UBS Europe SE, UBS German-headquartered European subsidiary. Following completion of the merger, UBS expects that UBS Europe SE will become subject to direct supervision by the European Central Bank.

As reported in the Annual Report 2017, certain clients and other counterparties of UBS Limited would become clients or counterparties of UBS Europe SE through a business transfer proceeding and the merger of the two entities. UBS has now commenced the business transfer proceeding in the UK to facilitate the transfer of client business as well as the cross-border merger proceeding. UBS currently expects the business transfer and merger to become effective in the first quarter of 2019, prior to the UK leaving the EU at the end of March 2019.

UBS anticipates that clients and other counterparties of UBS Limited who can be serviced by UBS AG, London Branch generally will be migrated to UBS AG, London Branch in the fourth quarter of 2018 and prior to the merger of UBS Limited and UBS Europe SE. In connection with the merger, a small number of roles will be relocated from the UK to other European locations. UBS also expects to increase the loss-absorbing capacity of UBS Europe SE to reflect the additional activities it would acquire. The timing and extent of any actions UBS takes may vary considerably from its current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.

Developments related to the transition away from IBOR

Efforts to transition from the interbank offered rate ("**IBOR**") benchmarks to alternative benchmark rates are continuing. The following key developments took place in the third quarter of 2018.

- The working group on euro risk-free rates recommended ESTER (euro short-term rate) as the replacement for EONIA (Euro OverNight Index Average), which will be prohibited by the EU Benchmark Regulation after 1 January 2020.
- Futures contracts referenced to the Secured Overnight Financing Rate (SOFR), the recommended successor to US dollar LIBOR (London Interbank Offered Rate), began trading on the Chicago Mercantile Exchange.
- The Bank of England consulted on the development of Term SONIA (Sterling Overnight Index Average) Reference Rates, which are expected to become available in the second half of 2019.
- The International Swaps and Derivatives Association, as part of a Financial Conduct Authority ("**FCA**") mandate, consulted on preferred options for LIBOR transition fallbacks for derivatives.

The FCA and the Prudential Regulation Authority have written to the CEOs of banks and insurance companies in the UK, including UBS, seeking assurance that senior managers and boards understand the risks associated with the transition away from IBOR and are taking appropriate preparatory action to transition to alternative rates before the end of 2021.

UBS has a substantial number of contracts linked to IBOR and has established a cross-divisional, cross-regional governance structure and change program to address the scale and complexity of the transition from 2018 to 2021.

Increase in stake in UBS Securities China

As disclosed in the Second Quarter 2018 Report (as defined herein), UBS submitted a preliminary application in May 2018 to increase its shareholding in its China affiliate, UBS Securities Co. Limited ("**UBSS**"), from 24.99% to 51%. The transaction is subject to completion of a share purchase from existing shareholders and regulatory approval. If it acquires majority ownership, UBS expects to consolidate UBSS under International Financial Reporting Standards ("**IFRS**") and remeasure its current 24.99% holding at fair value, resulting in an estimated loss of CHF 0.3 billion in Corporate Center – Services if the disclosed offer

prices are accepted. The loss will be treated as an adjusting item. UBS's CET1 capital should not be materially affected as the loss is expected to be largely offset by the release of a capital deduction for goodwill included with the initial stake.

Worldline to acquire SIX Payment Services

On 15 May 2018, SIX and Worldline signed a binding agreement to enter into a strategic partnership in the cards business. Under the agreement, SIX will transfer its existing cards business to Worldline and receive a 27% stake in Worldline. The transaction is currently expected to close in the fourth quarter of 2018. When the transaction closes, UBS expects to recognize in the income statement a share of the gain recognized by SIX proportional to UBS's 17.31% equity ownership in SIX, estimated at CHF 0.4 billion subject to Worldline's share price upon closing. The gain, of which approximately 80% will be reflected in Personal & Corporate Banking and approximately 20% in Global Wealth Management, will be treated as an adjusting item. For CET1 capital, the gain may be offset by related capital deductions.

IFRS 16, Leases

UBS will adopt IFRS 16, *Leases* on 1 January 2019, fundamentally changing how UBS accounts for operating leases when acting as a lessee. UBS expects assets and liabilities to increase by approximately CHF 4 billion upon adoption with a corresponding increase in RWA and LRD, with associated modest effects on capital and leverage ratios.

Changes in Corporate Center cost allocations and equity attribution to business divisions as of the first quarter of 2019

In order to align Group and divisional performance, UBS will adjust its methodology for the allocation of Corporate Center expenses, funding costs and balance sheet to the business divisions. In aggregate, this will result in an increase of approximately CHF 0.7 billion in Corporate Center retained profit, offset by higher allocations to the business divisions, and lead to approximately a 2 percentage point increase in business division adjusted cost / income ratios.

Following these changes, the retained loss in Corporate Center – Services will primarily reflect funding costs for deferred tax assets, costs relating to UBS's legal entity transformation program and other costs not attributable to or representative of the performance of the business divisions. Furthermore, Corporate Center will allocate approximately CHF 90 billion of additional LRD, and associated RWA, from Corporate Center – Group ALM to business divisions. This is incremental to the existing LRD and RWA allocations from Corporate Center – Group ALM to the business divisions. With this methodology update and further changes to UBS's equity attribution framework, UBS expects to allocate approximately CHF 7 billion of additional attributed equity to the business divisions, of which CHF 3 billion will be allocated to the Investment Bank. The remaining attributed equity retained in Corporate Center will primarily relate to deferred tax assets and dividend accruals. All of these changes will be effective 1 January 2019 and UBS will provide restated prior-period information.

Changes in Corporate Center segment reporting

Effective 1 January 2019, UBS will no longer separately assess the performance of Corporate Center – Non-core and Legacy Portfolio as a result of its substantially reduced size and resource consumption. Following this change, and in line with IFRS 8, *Operating Segments*, UBS will include the results of Corporate Center – Non-core and Legacy Portfolio with Corporate Center – Services. Prior-period information will be restated.

Refer to the "*Recent developments*" section and "*Note 1 Basis of accounting*" and "*Note 19 Transition to IFRS 9 as of 1 January 2018*" to the "*Consolidated financial statements*" section of the Third Quarter 2018 Report, as well as to "*IFRS 9, Financial Instruments*" and "*IFRS 15, Revenue from Contracts with Customers*" in the "*Significant accounting and financial reporting changes in 2018*" section of the Annual Report 2017 for further information on key accounting, regulatory and legal developments.

3.5 Trend Information

As indicated in the Third Quarter 2018 Report, global economic growth prospects and monetary policy normalization continue to provide a supportive backdrop to UBS's business, although ongoing geopolitical tensions, rising protectionism and trade disputes have further dampened investor sentiment and confidence. UBS expects these latter trends to continue to impact Global Wealth Management clients' transaction activity in the fourth quarter; however, moderately increased levels of volatility and volumes are generally positive for UBS's institutional business in the Investment Bank. Funding costs related to long-term debt and

capital instruments issued to comply with regulatory funding and liquidity requirements will be higher than in the previous year, but should be broadly stable compared with the third quarter.

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

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

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

UBS Group AG operates under a strict dual board structure. The Board of Directors ("**BoD**"), under the leadership of the Chairman, decides on the strategy of UBS upon recommendation by the Group Chief Executive Officer ("**Group CEO**"), and supervises and monitors the business, whereas the Group Executive Board ("**GEB**"), headed by the Group CEO, has executive management responsibility. The functions of Chairman of the BoD and Group CEO are assigned to two different people, ensuring a separation of power. This structure establishes checks and balances and preserves the institutional independence of the BoD from the day-to-day management of UBS, for which responsibility is delegated to the GEB under the leadership of the Group CEO. No member of one board may simultaneously be a member of the other.

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

4.1 Board of Directors

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

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

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

4.1.1 Members of the Board of Directors

Member and business address	Title	Term of office	Current principal positions outside UBS Group AG
Axel A. Weber UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Chairman	2019	Chairman of the Board of Directors of UBS AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; board member of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Panel, Monetary

Member and business address	Title	Term of office	Current principal positions outside UBS Group AG
			Authority of Singapore; member of the Group of Thirty, Washington, D.C.; chairman of the Board of Trustees of DIW Berlin; Advisory Board member of the Department of Economics at the University of Zurich; member of the Trilateral Commission.
Michel Demaré UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Independent Vice Chairman	2019	Independent Vice-Chairman of the Board of Directors of UBS AG; board member of Vodafone Group Plc; board member of Louis-Dreyfus Commodities Holdings BV; Vice Chairman of the Supervisory Board of IMD, Lausanne; Advisory Board member of the Department of Banking and Finance at the University of Zurich.
David Sidwell UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Senior Independent Director	2019	Member of the Board of Directors of UBS AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York.
Jeremy Anderson UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; trustee of the UK's Productivity Leadership Group.
Reto Francioni UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; professor at the University of Basel; board member of Coca-Cola HBC AG; Chairman of the board of Swiss International Air Lines AG; board member of Francioni AG; board member of MedTech Innovation Partners AG.
Ann F. Godbehere UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; board member of Rio Tinto plc (chairman of the audit committee); board member of Rio Tinto Limited (chairman of the audit committee); board member of Royal Dutch Shell plc.
Fred Hu UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; non-executive chairman of the board of Yum China Holdings; board member of Hong Kong Exchanges and Clearing Ltd.; chairman of Primavera Capital Limited; non-executive director of Dalian Wanda Commercial Properties Co Ltd.; board member of China Asset Management; board member of

Member and business address	Title	Term of office	Current principal positions outside UBS Group AG
			Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School; co-chairman of the Nature Conservancy's Asia Pacific Council; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.; Global Advisory Board member of the Council on Foreign Relations.
Julie G. Richardson UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; board member of The Hartford Financial Services Group, Inc. (chairman of the audit committee); board member of Yext (chairman of the audit committee); board member of Vereit, Inc. (chairman of the compensation committee).
Isabelle Romy UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; partner and board member at Froriep Legal AG, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; vice chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF; Supervisory Board member of the CAS program Financial Regulation of the University of Bern and University of Geneva.
Robert W. Scully UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School.
Beatrice Weder di Mauro UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Member	2019	Member of the Board of Directors of UBS AG; distinguished fellow at INSEAD in Singapore; Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees.
Dieter Wemmer UBS Group AG, Bahnhofstrasse 45, CH-	Member	2019	Member of the Board of Directors of UBS AG; board member of Ørsted A/S; member of the CFO Forum; member of the Systemic Risk Working Group of the

Member and business address	Title	Term of office	Current principal positions outside UBS Group AG
8001 Zurich			European Central Bank and the Bank for International Settlements; member of the Berlin Center of Corporate Governance.

4.1.2 Organisational principles and structure

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

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

4.1.3 Audit Committee

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

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

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

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

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

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

4.2 Group Executive Board

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

4.2.1 Members of the Group Executive Board

The current members of the GEB are listed below. In addition, it was announced that Markus Ronner will join the GEB as of 1 November 2018, as Head of Group Compliance, Regulatory and Governance, and Edmund Koh will take over as President UBS Asia Pacific and join the GEB effective 1 January 2019, while Kathryn Shih will leave the GEB.

Member and business address	Function	Current principal positions outside UBS Group AG
Sergio P. Ermotti UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Group Chief Executive Officer	Member of the Executive Board and President of the Executive Board of UBS AG; board member 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 Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires, member of the Saïd Business School Global Leadership Council, University of Oxford.
Martin Blessing UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Co-President Global Wealth Management	Member of the Executive Board and co-President Global Wealth Management of UBS AG; member of the Executive Board of Baden-Baden Entrepreneur Talks.
Christian Bluhm UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Group Chief Risk Officer	Member of the Executive Board and Chief Risk Officer of UBS AG; board member of UBS Business Solutions AG; board member of UBS Switzerland AG.
Markus U. Diethelm UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Group General Counsel	Member of the Executive Board and General Counsel of UBS AG; board member of UBS Business Solutions AG; Chairman of the Swiss-American Chamber of Commerce's legal committee; Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the Foundation Council of the UBS International Center of Economics in Society; member of the Professional Ethics Commission of the Association of Swiss Corporate Lawyers; member of the Supervisory Board of the Fonds de Dotation LUMA / Arles.
Kirt Gardner UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Group Chief Financial Officer	Member of the Executive Board and Chief Financial Officer of UBS AG; board member of UBS Business Solutions AG.
Robert Karofsky UBS AG, 1285 Avenue Of The Americas, New York, NY 10019, USA	Co-President Investment Bank	Member of the Executive Board and co-President Investment Bank of UBS AG; president and board member UBS Securities LLC; trustee of the UBS Americas Inc. Political Action Committee.
Sabine Keller-Busse UBS Group AG, Bahnhofstrasse 45, CH- 8001 Zurich	Group Chief Operating Officer	Member of the Executive Board and Chief Operating Officer of UBS AG; board member of UBS Business Solutions AG; vice-chairman of the Board of Directors of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS Pension Fund;

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

4.3 Potential Conflicts of Interest

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

5. **Auditors**

Upon incorporation of UBS Group AG, Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel ("**Ernst & Young**") were appointed as auditors of UBS Group AG. Based on article 39 of the Articles of Association, UBS Group AG's shareholders elect the auditors for a term of office of one year. At the AGMs of 4 May 2017 and 3 May 2018, Ernst & Young were elected as auditors for the consolidated and standalone financial statements of UBS Group AG for a one-year term.

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

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

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

According to disclosure notifications filed with UBS Group AG and the SIX Swiss Exchange, the following entities hold 3% or more of the total share capital of UBS Group AG: on 10 February 2016, MFS Investment Management, Boston, disclosed a holding of 3.05%; and on 27 August 2018, BlackRock Inc., New York, disclosed a holding of 4.99%. In accordance with the applicable provisions, the percentages indicated above were calculated in relation to the total share capital of UBS Group AG reflected in the Articles of Association at the time of the respective disclosure notification.

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

Additionally, as of 30 September 2018, the following shareholders (acting in their own name or in their capacity as nominees for other investors or beneficial owners) were registered in the share register with 3% or more of the total share capital of UBS Group AG: Chase Nominees Ltd., London (11.83%); the US securities clearing organization DTC (Cede & Co.) New York, "The Depository Trust Company" (7.23%); and Nortrust Nominees Ltd., London (4.48%).

UBS's Group Treasury holds UBS Group AG shares to hedge future share delivery obligations related to employee share-based compensation awards. In addition, the Investment Bank holds a very limited number of UBS Group AG shares, primarily in its capacity as a market-maker in UBS Group AG shares and related derivatives and to hedge certain issued structured debt instruments. As of 30 September 2018, UBS held a total of 128,747,979 treasury shares, or 3.3% of shares issued.

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

7.1 **Historical Annual Financial Information**

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

The annual financial reports form an essential part of UBS Group AG's reporting. They include the audited consolidated financial statements of UBS Group AG, prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board. The annual reports also include discussions and analysis of the consolidated financial and business results of UBS, its business divisions and the Corporate Center. In addition, UBS Group AG prepares and publishes standalone financial statements in accordance with the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations), as well as certain additional disclosures required under SEC regulations.

7.2 Auditing of Historical Annual Financial Information

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

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

7.3 Interim Financial Information

The First Quarter 2018 Report contains information on the financial condition and results of operations, including the interim financial statements of UBS Group AG (consolidated) as of and for the quarter ended 31 March 2018; the Second Quarter 2018 Report contains information on the financial condition and results of operations, including the interim financial statements of UBS Group AG (consolidated) as of and for the quarter and six months ended 30 June 2018; and the Third Quarter 2018 Report contains information on the financial condition and results of operations, including the interim financial statements of UBS Group AG (consolidated) as of and for the quarter and nine months ended 30 September 2018. The interim consolidated financial statements of UBS Group AG are not audited.

7.4 Litigation, Regulatory and Similar Matters

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

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

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in the "Provisions" table in "Note 15a Provisions" of the UBS Group AG's unaudited interim consolidated financial statements included in the Third Quarter 2018 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 UBS's submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("LIBOR"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

The risk of loss associated with litigation, regulatory and similar matters is a component of operational risk for purposes of determining UBS's capital requirements. Information concerning UBS's capital requirements and the calculation of operational risk for this purpose is included in the "Capital management" section of the Third Quarter 2018 Report.

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

<i>CHF million</i>	Global Wealth Manage- ment	Personal & Corporate Banking	Asset Manage- ment	Investment Bank	CC – Services	CC – Group ALM	CC – Non- core and Legacy Portfolio	UBS
Balance as of 31 December 2017	555	79	1	345	240	0	1,224	2,444
Balance as of 30 June 2018	567	75	0	333	216	0	1,251	2,442
Increase in provisions recognized in the income statement	31	0	0	11	30	0	4	76
Release of provisions recognized in the income statement	(3)	0	0	(68)	(1)	0	0	(72)
Provisions used in conformity with designated purpose	(48)	0	0	0	0	0	(60)	(109)
Foreign currency translation / unwind of discount	(6)	0	0	(3)	0	0	(13)	(24)
Balance as of 30 September 2018	541	75	0	272	244	0	1,180	2,312

¹ Provisions, if any, for the matters described in this section are recorded in Global Wealth Management (item 3 and item 4), the Investment Bank (item 7) and Corporate Center – Non-core and Legacy Portfolio (item 2). Provisions, if any, for the matters described in items 1 and 6 of this section are allocated between Global Wealth Management and Personal & Corporate Banking, and provisions, if any, for the matters described in this section in item 5 are allocated between the Investment Bank, Corporate Center – Services and Corporate Center – Non-core and Legacy Portfolio.

1. Inquiries regarding cross-border wealth management businesses

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

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in having illicitly solicited clients on French territory, 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 that transfers the case to court. The trial started on 8 October 2018 and is scheduled to last until 15 November 2018.

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

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 30 September 2018 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

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

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 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.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the US District Court for the Southern District of New York ("**SDNY**") seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations issued and underwritten by UBS with an original principal balance of approximately USD 2 billion. In July 2018, UBS and the trustee entered into an agreement under which UBS will pay USD 850 million to resolve this matter. A significant portion of this amount will be borne by other parties that indemnified UBS. The settlement remains subject to approval by the court and proceedings to determine how the settlement funds will be distributed to RMBS holders. After giving effect to this settlement, UBS considers claims relating to substantially all loan repurchase demands to be resolved, and believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

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

UBS's balance sheet at 30 September 2018 reflected a provision with respect to matters described in this item 2 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of this matter cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

3. Madoff

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

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

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

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of fraudulent conveyances and preference payments. In 2016, the Bankruptcy Court dismissed the remaining claims against the UBS entities. The BMIS Trustee appealed.

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**funds**")

that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 2.8 billion, of which claims with aggregate claimed damages of USD 1.7 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been 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, and a request for permission to appeal that ruling was denied by 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 September 2018 the court denied plaintiffs' motion for class certification.

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 based on plaintiffs' allegation that the loans are not valid. The trial court granted UBS PR's motion for summary judgment and dismissed the action.

In 2014 and 2015, UBS entered into settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico ("**OCFI**"), the SEC and the Financial Industry Regulatory Authority ("**FINRA**") in relation to their examination of UBS's operations. UBS also understands that the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. UBS is cooperating with the authorities in this inquiry.

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

Beginning in 2015, and continuing through 2017, certain agencies and public corporations of the Commonwealth of Puerto Rico ("**Commonwealth**") defaulted on certain interest payments on Puerto Rico bonds. The funds hold significant amounts of those bonds and the defaults on interest payments have had, and are expected to continue to have, an adverse effect on dividends from the funds. Executive orders of the Governor of Puerto Rico 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 has imposed a stay on the exercise of creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge. 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 30 September 2018 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: Beginning in 2013 numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority ("**FCA**") and the US Commodity Futures Trading Commission ("**CFTC**") in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System ("**Federal Reserve Board**") and the Connecticut Department of Banking issued a Cease and Desist Order

and assessed monetary penalties against UBS AG. In 2015, the DOJ's Criminal Division ("**Criminal Division**") terminated the 2012 Non-Prosecution Agreement ("**NPA**") with UBS AG related to UBS's submissions of benchmark interest rates and UBS AG pleaded guilty to one count of wire fraud, paid a fine and is subject to probation through January 2020. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ ("**Antitrust Division**") and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange and precious metals matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has entered into a settlement agreement that would resolve US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures. The settlement agreement, which has been approved by the court, 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 exchange transactional services or authorized or permitted the execution of any foreign currency exchange transactional services involving such plan's assets. The complaint asserts claims under ERISA. In July 2018, the Second Circuit affirmed the dismissal of the case with prejudice.

In 2015, a putative class action was filed in federal court against UBS and numerous other banks on behalf of persons and businesses in the US who directly purchased foreign currency from the defendants and alleged co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

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

In 2017, two new putative class actions were filed in federal court in New York against UBS and numerous other banks on behalf of different proposed classes of indirect purchasers of currency, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. Plaintiffs have filed a motion seeking leave to file an amended complaint.

Putative class actions were also filed against UBS and 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 asserted claims under the antitrust laws and the Commodity Exchange Act ("**CEA**"), and other claims. In July 2018, the court in New York granted UBS's motions to dismiss amended complaints in the putative class actions relating to gold and silver. In 2017, the court granted UBS's motion to dismiss the platinum and palladium action. Plaintiffs in the platinum and palladium action subsequently filed an amended complaint that did not allege claims against UBS.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office ("**SFO**"), the Monetary Authority of Singapore ("**MAS**"), the Hong Kong Monetary Authority ("**HKMA**"), FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have conducted or are continuing to conduct investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. In 2012, UBS reached settlements relating to benchmark interest rates with the UK Financial Services Authority ("**FSA**"), the CFTC and the Criminal Division of the DOJ, and FINMA issued an order in its proceedings with respect to UBS relating to benchmark interest rates. In addition, UBS entered into settlements with the European Commission (EC) and with the Swiss Competition Commission ("**WEKO**") regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives. UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with

WEKO as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity. Investigations by certain governmental authorities remain ongoing notwithstanding these resolutions.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other 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. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD and SGD SIBOR and SOR, Australian BBSW and USD ISDAFIX, and seek unspecified compensatory and other damages under varying legal theories.

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received preliminary court approval and remains subject to final approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs have sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders.

Other benchmark class actions and ISDAFIX class action in the US: In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiff's claims, including a federal antitrust claim, for lack of standing. In 2015, this court dismissed the plaintiff's federal racketeering claims on the same basis and affirmed its previous dismissal of the plaintiff's antitrust claims against UBS. In 2017, this court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. Also in 2017, the courts in the EURIBOR and the SIBOR / SOR lawsuits dismissed the cases as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs in the CHF LIBOR and SIBOR / SOR actions have filed amended complaints following the dismissals, which UBS and other defendants have moved to dismiss. UBS and other defendants have also moved to dismiss the GBP LIBOR and Australian BBSW actions. In 2017, UBS agreed to pay USD 14 million to resolve putative class actions filed in federal court in New York and New Jersey against UBS and other financial institutions on behalf of parties who entered into interest rate derivative transactions linked to ISDAFIX. The final settlement was approved in June 2018.

Government bonds: Putative class actions have been filed since 2015 in US federal courts against UBS and other banks on behalf of persons who participated in markets for US Treasury securities since 2007. A consolidated complaint was filed in 2017 in the SDNY alleging that the banks colluded with respect to, and manipulated prices of, US Treasury securities sold at auction and in the secondary market and asserting claims under the antitrust laws and for unjust enrichment. Defendants' motions to dismiss the consolidated complaint are pending.

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

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 30 September 2018 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

6. Swiss retrocessions

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

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

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

UBS's balance sheet at 30 September 2018 reflected a provision with respect to matters described in this item 6 in an amount that UBS believes to be appropriate under the applicable accounting standard. The ultimate exposure will depend on client requests and the resolution thereof, factors that are difficult to predict and assess. Hence, as in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

The Hong Kong Securities and Futures Commission ("SFC") has been conducting investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. The SFC has previously indicated that it intended to take enforcement action against UBS and certain employees in relation to certain of these offerings. In March 2018, the SFC issued a decision notice in relation to one of the offerings under investigation. The notice provides for a fine of HKD 119 million and a suspension of UBS Securities Hong Kong Limited's ability to act as a sponsor for Hong Kong listed initial public offerings for 18 months. UBS has appealed the decision.

8. Material Contracts

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

9. Share capital

As reflected in its Articles of Association most recently registered with the Commercial Register of Zurich, UBS Group AG has (i) fully paid and issued share capital of CHF 385,309,660.30, divided into 3,853,096,603 registered shares with a par value of CHF 0.10 each (article 4), and (ii) conditional capital in the amount of CHF 50,766,462.20, comprising a maximum of 507,664,622 registered shares with a par value of CHF 0.10 each (article 4a).

10. Contributions in kind

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

10.1 Capital increase of 26 November 2014:

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

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

AG, 201,494,824 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 2,070,966,814.07. In return, UBS Group AG issued 201,494,824 of its registered shares with a par value of CHF 0.10 each to UBS Securities LLC, 1285 Avenue of the Americas, New York, NY 10019, US.

- UBS AG, acting as contributor in kind in its own name and in relation to shares of UBS AG tendered during the initial offer period in the course of the public exchange offer of UBS Group AG, 90,490,886 shares of UBS AG with a par value of CHF 0.10 each and a total value of CHF 1,533,820,517.70. In return, UBS Group AG issued 90,490,886 of its registered shares with a par value of CHF 0.10 each to UBS AG.

10.2 **Capital increase of 16 December 2014:**

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

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

10.3 **Capital increase of 10 February 2015:**

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

10.4 **Capital increase of 9 March 2015:**

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

10.5 **Capital increase of 12 June 2015:**

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

10.6 **Capital increase of 28 August 2015:**

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

11. **Conditional share capital of UBS Group AG**

According to article 4a of the Articles of Association, UBS Group AG currently has conditional capital in an aggregate amount of CHF 50,766,462.20, corresponding to a maximum of 507,664,622 registered shares with a par value of CHF 0.10 each. Of these shares, 380,000,000 shares are available to satisfy any conversion rights and/or warrants in connection with convertible bonds or similar financial instruments and 127,664,622 shares are available for employee option plans.

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

"Article 4a – Conditional capital

The share capital may be increased by a maximum of CHF 12,766,462.20 through the issuance of a maximum of 127,664,622 fully paid registered shares with a par value of CHF 0.10 each upon exercise of employee options issued to employees and members of the management and of the Board of Directors of UBS Group AG and its subsidiaries. The pre-emptive rights and the advance subscription rights of the shareholders shall be excluded. The issuance of these options to employees and members of the management and of the Board of Directors of UBS Group AG and its subsidiaries will take place in accordance with the plan rules issued by the Board of Directors and its compensation committee. The acquisition of shares through the exercise of option rights as well as every subsequent transfer of these shares shall be subject to the registration requirements set forth in Article 5 of the Articles of Association.

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

12. Dividends

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

- UBS Group AG's AGM on 7 May 2015 approved the distribution of a dividend for the financial year 2014 in the amount of CHF 0.50 in cash per share of CHF 0.10 par value, payable out of the capital contribution reserve. The dividend was paid on 13 May 2015 to holders of UBS Group AG's shares on the record date 12 May 2015. In addition, the AGM on 7 May 2015 approved the distribution of a dividend of CHF 0.25 per share of CHF 0.10 par value ("**Supplementary Dividend**") out of the capital contribution reserve subject to certain conditions. After the conditions were met, on 22 September 2015 UBS Group AG paid the Supplementary Dividend of CHF 0.25 per share to holders of UBS Group AG's shares on the record date of 21 September 2015.
- UBS Group AG's AGM on 10 May 2016 approved an ordinary dividend distribution of CHF 0.60 in cash per share of CHF 0.10 par value and a special dividend distribution of CHF 0.25 in cash per share of CHF 0.10 par value payable out of the capital contribution reserve. The total payment of CHF 0.85 per share was made on 17 May 2016 to holders of UBS Group AG's shares on the record date 13 May 2016.
- UBS Group AG's AGM on 4 May 2017 approved an ordinary dividend distribution of CHF 0.60 per share of CHF 0.10 par value payable out of the capital contribution reserves. The payment was made on 10 May 2017 to holders of UBS Group AG's shares on the record date 9 May 2017.
- UBS Group AG's AGM on 3 May 2018 approved an ordinary dividend distribution of CHF 0.65 per share of CHF 0.10 par value payable out of the capital contribution reserves. The payment was made on 9 May 2018 to holders of UBS Group AG's shares on the record date 8 May 2018. UBS also commenced in April 2018 to repurchase shares under the share repurchase program, after having received the required regulatory approvals in March 2018.

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

13. Documents on Display

- The annual report of UBS Group AG and UBS AG as of 31 December 2017, comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix;
- The First Quarter 2018 Report; the Second Quarter 2018 Report; the Third Quarter 2018 Report; and
- The Articles of Association of UBS Group AG,

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

AMENDMENTS TO THE "GENERAL INFORMATION" SECTION

Items 5, 6, 7 and 8 of the "*General information*" section on page 159 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 September 2018.
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 2018.
7. Upon incorporation of the Issuer and subsequently at the AGM of 8 March 2018, Ernst & Young Ltd, Aeschengraben 9, CH-4002 Basel ("**Ernst & Young**") were appointed as auditors of the Issuer. Based on article 18 of the Articles of Association, the Issuer's shareholders elect the auditors for a term of office of one year. Ernst & Young is a member of EXPERTsuisse, and the Swiss Expert Association for Audit, Tax and Fiduciary.
8. Based on article 39 of the Articles of Association, UBS Group AG shareholders elect the auditors for a term of office of one year. At the AGMs of 4 May 2017 and 3 May 2018, Ernst & Young were elected as auditors for the consolidated and standalone financial statements of UBS Group AG for a one-year term. Ernst & Young is a member of EXPERTsuisse, and the Swiss Expert Association for Audit, Tax and Fiduciary.

Place / Date *Opfikon, 26.10.2018*

By:

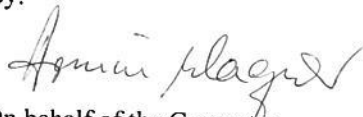

Markus Mathiuet
Executive Director
On behalf of the Issuer

UBS Group Funding (Switzerland) AG

Place / Date

Opfikon 26.10.2018

By:



On behalf of the Guarantor

UBS Group AG

Armin Wagner
Executive Director

Place / Date *Opfikon, 26.10.2018*

By:

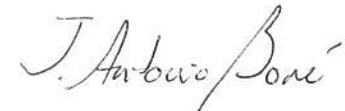

Cindy von Känel
Associate Director
On behalf of the Issuer

UBS Group Funding (Switzerland) AG

Place / Date

Opfikon 26.10.2018

By:


On behalf of the Guarantor

UBS Group AG

Antonio Boné
Director