Supplement No. 3 pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34

Dated 18 April 2019 to the Base Prospectus of UBS AG, [London] [Jersey] [Branch], dated 12 October 2018,

in relation to Securities.

The Base Prospectus was approved and registered by the Swedish Financial Supervisory Authority ("**SFSA**"). Registration number at the SFSA is 18-17595. This Supplement is a part of the Base Prospectus and shall be read in conjunction with the Base Prospectus and the previous supplements.

Supplement No. 1 was approved by the SFSA on 4 December 2018. The Supplement was published by UBS AG on 4 December 2018. Registration number at the SFSA is 18-21426.

Supplement No. 2 was approved by the SFSA on 4 March 2019. The Supplement was published by UBS AG on 4 March 2019. Registration number at the SFSA is 19-4295.

This Supplement No. 3 was approved by the SFSA on 18 April 2019. This Supplement was published by UBS AG on 18 April 2019. Registration number at the SFSA is 19-8343.

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

Publication of the annual report 2018 of UBS Group AG and UBS AG and the standalone financial statements of UBS AG on 15 March 2019.

Updated information	Updated sections
Information regarding UBS AG has been updated pursuant to the above-mentioned annual report and the standalone financial statements	Certain parts in the sections "C. Risk Factors, 1. Issuer specific Risks" and "C. Risk Factors, 2. Security specific Risks". The following subsections in the section "I. Information about UBS AG": "1. General Information on UBS AG", "2. Business Overview", "3. Organisational Structure of the Issuer", "4. Trend Information", "5. Administrative, Management and Supervisory Bodies of UBS AG", "7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses", "8. Litigation, Regulatory and Similar Matters", "9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects". The section "L. General Information, 6. Availability of the Base Prospectus and other documents" The section "L. General Information, 7. Documents incorporated by Reference" The information in Elements B.4b, B.5, B.10, B.12, B.15 and D.2 of the Summary.

The attention of the investors is in particular drawn to the following: Investors who have already agreed to purchase or subscribe for the Securities before this supplement is published have, pursuant to the Financial Instruments Trading Act (SFS 1991:980) chapter 2 section 34, the right, exercisable within a time limit of two working days after the publication of this supplement, to withdraw their acceptances, provided that the new circumstances or the incorrectness causing the supplement occurred before the closing of the public offering and before the delivery of the securities. This means that the last day to withdrawal is before close of business on 24 April 2019. A withdrawal, if any, of an order must be communicated in writing to the Issuer at its registered office specified in the address list hereof.

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

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

The section "1. Issuer specific Risks" is, <u>except for</u> the two introductory paragraphs and the paragraph headed "General insolvency risk" completely replaced. Consequently, section "1. Issuer specific Risks" reads as follows:

"**1. Issuer specific Risks**

Investing in the debt or derivative securities of the Issuer involves certain issuer-specific risks. Investments in debt or derivative securities of the Issuer should not be made until all these risk factors have been acknowledged and carefully considered. When making decisions relating to investments in the debt or derivative securities of the Issuer, potential investors should consider following risks factors in respect of the Issuer, which may affect the Issuer's ability to fulfil its obligations under its debt or derivative securities and, if necessary, consult their legal, tax, financial or other advisor.

Prospective investors in any debt or derivative securities of the Issuer should read the entire Base Prospectus and the relevant summary and securities note, base prospectus or other prospectus, either incorporating information from this Base Prospectus by reference, containing disclosure on certain debt or derivative securities (and where appropriate, the relevant summary note applicable to the relevant debt or derivative securities).

As a global financial services provider, the business activities of UBS AG ("**Issuer**") with its subsidiaries (together, "**UBS AG consolidated**" or "**UBS AG Group**"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "**UBS Group**" "**Group**", "**UBS**" or "**UBS Group AG consolidated**") are affected by certain risks, including those described below, which may affect UBS's ability to execute its strategy or its business activities, financial condition, results of operations and prospects. As a broad-based international financial services firm, UBS is inherently exposed to multiple risks, many of which may become apparent only with the benefit of hindsight. As a result, risks that UBS does not consider to be material or of which it is not currently aware, could also adversely affect UBS. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the potential magnitude of their consequences.

General insolvency risk
Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The Securities constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank *pari passu* with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The Securities are not bank deposits and an investment in the Securities carries risks which are very different from the risk profile of a bank deposit placed with the Issuer or its affiliates. The obligations of the Issuer created by the Securities are not secured by a system of deposit guarantees or a compensation scheme. In case of an insolvency of the Issuer, Securityholders may, consequently, suffer a **total loss** of their investment in the Securities.

<u>Market and macroeconomic risks</u>

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

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

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

UBS could be materially affected if a crisis develops, regionally or globally, as a result of disruptions in markets as a result of macroeconomic or political developments, or as a result of the failure of a major market participant. Over time, UBS's strategic plans have become more heavily dependent on its ability to generate growth and revenue in emerging markets, including China, causing UBS to be more exposed to the risks associated with such markets.

UBS has material exposures to a number of markets, and its businesses have regional exposures and concentrations that differ from certain of its peers. Global Wealth Management derives revenues from all the principal regions, but has a greater concentration in Asia than many peers and a substantial presence in the US, unlike many European peers. The Investment Bank’s Equities business is more heavily weighted to Europe and Asia than UBS's peers, and within this business its derivatives business is more heavily weighted to structured products for wealth management clients, in particular with European and Asian underlyings. UBS's performance may therefore be more affected by political, economic and market developments in these regions and businesses than some other financial service providers.

A decrease in business and client activity and market volumes, for example, as a result of significant market volatility, adversely affects transaction fees, commissions and margins, particularly in Global Wealth Management and the Investment Bank, as UBS experienced in the fourth quarter of 2018 and in 2016. A market downturn is likely to reduce the volume and valuations of assets that UBS manages on behalf of clients, which would reduce recurring fee income that is charged based on invested asset and performance-based fees in Asset Management. Such a downturn may also cause a decline in the value of assets that UBS owns and accounts for as investments or trading positions. On the other hand, reduced market liquidity or volatility may limit trading opportunities and may therefore reduce transaction-based fees and may also impede UBS's ability to manage risks.

In addition, the implementation of the expected credit loss ("**ECL**") regime, as required by IFRS 9, is intended to result in fewer pro-cyclical charges for credit impairment by ensuring that impairment charges would be recognized earlier through anticipating a downturn using appropriate forward-looking measures and, conversely, an expected positive development once the trough of a downturn has been reached. There is a material risk that these expectations will not materialize, and that ECL under IFRS 9 will prove to be pro-cyclical. Provision requirements under IFRS 9 may in practice increase rapidly at the onset of an economic downturn as a result of higher levels of credit impairment (stage 3) as well as higher ECL from stages 1 and 2, only gradually diminishing once the economic outlook improves. Substantial increases in ECL could exceed expected loss for regulatory capital purposes and adversely affect UBS's common equity tier 1 ("**CET1**") capital and regulatory capital ratios. The effect of pro-cyclical ECL requirements will be assessed in UBS's stress testing outputs.

UBS is exposed to the credit risk of its clients, trading counterparties and other financial institutions

Credit risk is an integral part of many of UBS's activities, including lending, underwriting and derivatives activities. Failure to properly assess and manage credit risk or adverse economic or market conditions may lead to impairments and defaults on credit exposures. Losses may be exacerbated by declines in the value of collateral securing loans and other exposures. In its prime brokerage, securities finance and Lombard lending businesses, UBS extends substantial amounts of credit against securities collateral, the value or liquidity of which may decline rapidly. UBS's Swiss mortgage and corporate lending portfolios are a large part of its overall lending. UBS is therefore exposed to the risk of adverse economic developments in Switzerland, including the strength of the Swiss franc and its effect on Swiss exports, prevailing negative interest rates by the Swiss National Bank, economic conditions within the eurozone or the EU, and the evolution of agreements between Switzerland and the EU and European Economic Area, which represent Switzerland's largest export market.

The aforementioned developments have in the past affected, and going forward could materially affect, UBS's overall financial performance and the financial performance of UBS's individual businesses. Refer to "*UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards*" and "*The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets*" below.

<u>Market conditions and fluctuations may have a detrimental effect on UBS's profitability, capital strength, liquidity and funding position</u>

Low and negative interest rates in Switzerland and the eurozone have negatively affected UBS's net interest income

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

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

UBS's shareholder's equity and capital are also affected by changes in interest rates. In particular, the calculation of UBS's Swiss pension plan's net defined benefit assets and liabilities is sensitive to the discount rate applied and to fluctuations in the value of pension plan assets. Any further reduction in interest rates may lower the discount rates and result in pension plan deficits as a result of the long duration of corresponding liabilities. This could lead to a corresponding reduction in UBS's equity and CET1 capital.

Currency fluctuation

UBS is subject to currency fluctuation risks. Effective 1 October 2018, 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 has changed from Swiss francs to US dollars effective from the fourth quarter 2018 reporting. Although this change reduces UBS's exposure to currency fluctuation risks against Swiss francs, a substantial portion of UBS's assets and liabilities are denominated in currencies other than the US dollar. Accordingly, changes in foreign exchange rates may continue to adversely affect UBS's profits, balance sheet and capital leverage and liquidity coverage ratios.

In order to hedge UBS's CET1 capital ratio, CET1 capital must have foreign currency exposure, which leads to currency sensitivity. As a consequence, it is not possible to simultaneously fully hedge both the amount of capital and the capital ratio. UBS's change to the US dollar as its presentation currency has reduced, but not eliminated the exposure of CET1 capital and capital ratios to currency fluctuations.

Regulatory and legal risks

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

Fundamental changes in the laws and regulations affecting financial institutions can have a material and adverse effect on UBS's business. Following the 2007–2009 financial crisis, regulators and legislators have adopted a wide range of changes to the laws, regulations and supervisory frameworks applicable to banks. The changes are intended to address the perceived causes of the crisis and to limit the systemic risks posed by major financial institutions. They have caused UBS to make significant changes in its businesses, strategy and legal structure. UBS has moved significant operations into subsidiaries to improve resolvability and meet other regulatory requirements, and this has resulted in substantial implementation costs, increased UBS's capital and funding costs and reduced operational flexibility. Although many of the regulatory changes have been completed, some continue to be phased in over time or require further rulemaking or guidance for implementation, and other changes are still under consideration.

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

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

UBS has incurred substantial costs in implementing a compliance and monitoring framework in connection with the Volcker Rule under the Dodd-Frank Act and has modified its business activities both inside and outside the US to conform to the Volcker Rule's activity limitations. UBS may incur additional costs in the short term if aspects of the Volcker Rule are modified in ways that would require changes to the operation of its Volcker compliance program, even if those changes may reduce the long-term burden on UBS's operations. UBS may also become subject to other similar regulations substantively limiting the types of activities in which it may engage or the way it conducts its operations.

Higher capital and total loss-absorbing capacity requirements increase UBS's costs: As an internationally active Swiss systemically relevant bank ("**SRB**"), UBS is subject to capital and total loss-absorbing capacity ("**TLAC**") requirements that are among the most stringent in the world. UBS expects its RWA to increase in 2019 as a result of changes in methodology and add-ons in the calculation of RWA, as well as implementation of new accounting standards. Changes to international capital standards for banks recently adopted by the Basel Committee on Banking Supervision are expected to further increase UBS's RWA when the standards are scheduled to become effective in 2022.

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

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

Substantial changes in market regulation have affected and will continue to affect how UBS conducts its business: The revised Markets in Financial Instruments Directive ("**MiFID II**") became effective in 2018. MiFID II, among other things, introduces substantial new regulation of exchanges and trading venues, including new pre-trade and post-trade transparency requirements, a ban on the practice of using commissions on transactions to compensate for research services and substantial new conduct requirements for financial services firms when dealing with clients. Implementation by the G20 countries of the commitment to require all standardized over-the-counter ("**OTC**") derivative contracts to be traded on exchanges or trading facilities and cleared through central counterparties has had and will continue to have a significant effect on UBS's OTC derivatives business, which is conducted primarily in the Investment Bank. These market changes are likely to reduce the revenue potential of certain lines of business for market participants generally, including UBS. For example, the changes introduced by MiFID II appear to have reduced commission rates and trading margins; these reductions may not be fully offset by charges for research services. Also, these changes may have a material effect on the market infrastructure that UBS uses and the way UBS interacts with clients, and may result in additional material implementation costs.

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

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

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

As a global financial services firm operating in more than 50 countries, UBS is subject to many different legal, tax and regulatory regimes, including extensive regulatory oversight, and exposed to significant liability risk. UBS is subject to a large number of claims, disputes, legal proceedings and government investigations, and it expects that its ongoing business activities will continue to give rise to such matters in the future. The extent of UBS's financial exposure to these and other matters is material and could substantially exceed the level of provisions that UBS has established. UBS is not able to predict the financial and non-financial consequences these matters may have when resolved.

UBS may be subject to adverse preliminary determinations or court decisions that may negatively affect public perception and UBS's reputation, result in prudential actions from regulators, and cause us to record additional provisions for the matter even though UBS believes it has substantial defenses and expects to ultimately achieve a more favorable outcome. This risk is illustrated by the award of aggregate penalties and damages of EUR 4.5 billion by the court in France.

Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations; may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorisations; and may permit financial market utilities to limit, suspend or terminate UBS's participation in them. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorisations or participations, could have material adverse consequences for UBS.

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

Ever since its material losses arising from the 2007–2009 financial crisis, UBS has been subject to a very high level of regulatory scrutiny and to certain regulatory measures that constrain its strategic flexibility. While UBS believes it has remediated the deficiencies that led to those losses as well as to the unauthorised trading incident announced in September 2011, the effects on its reputation, as well as on relationships with regulatory authorities of the LIBOR-related settlements of 2012 and settlements with some regulators of matters related to UBS's foreign exchange and precious metals business, have resulted in continued scrutiny.

UBS is also subject to significant new regulatory requirements, including recovery and resolution planning, US enhanced prudential standards and Comprehensive Capital Analysis and Review ("**CCAR**"). UBS's implementation of additional regulatory requirements and changes in supervisory standards, as well as its compliance with existing laws and regulations, continue to receive heightened scrutiny from supervisors. If it does not meet supervisory expectations in relation to these or other matters, or if additional supervisory or regulatory issues arise, UBS would likely be subject to further regulatory scrutiny as well as measures that might further constrain its strategic flexibility. UBS is in active dialog with regulators concerning the actions it is taking to improve its operational risk management, control, anti-money laundering, data management and other frameworks, and otherwise seek to meet supervisory expectations, but there can be no assurance that its efforts will have the desired effects. As a result of this history, UBS's level of risk with respect to regulatory enforcement may be greater than that of some of its peers.

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

UBS's effective tax rate is highly sensitive to its performance, its expectation of future profitability and statutory tax rates. Based on prior years' tax losses, UBS has recognised deferred tax assets ("**DTAs**") reflecting the probable recoverable level based on future taxable profit as informed by its business plans. If UBS's performance is expected to produce diminished taxable profit in future years, particularly in the US, UBS may be required to write down all or a portion of the currently recognised DTAs through the income statement in excess of anticipated amortization. This would have the effect of increasing its effective tax rate in the year in which any write-downs are taken. Conversely, if UBS expects the performance of entities in which it has unrecognized tax losses to improve, particularly in the US or the UK, UBS could potentially recognise additional DTAs. The effect of doing so would be to reduce UBS's effective tax rate in years in which additional DTAs are recognized and to increase its effective tax rate in future years. UBS's effective tax rate is also sensitive to any future reductions in statutory tax rates, particularly in the US and Switzerland, which would cause the expected future tax benefit from items such as tax loss carry-forwards in the affected locations to diminish in value. This in turn would cause a write-down of the associated DTAs. For example, the reduction in the US federal corporate tax rate to 21% from 35% introduced by the US Tax Cuts and Jobs Act ("**TCJA**") resulted in a USD 2.9 billion net write-down in the Group's DTAs in the fourth quarter of 2017.

UBS generally revalues its DTAs in the fourth quarter of the financial year based on a reassessment of future profitability taking into account its updated business plans. UBS considers the performance of its businesses and the accuracy of historical forecasts, tax rates and other factors in evaluating the recoverability of UBS's DTAs, including the remaining tax loss carry-forward period and UBS's assessment of expected future taxable profits over the life of DTAs. Estimating future profitability is inherently subjective and is particularly sensitive to future economic, market and other conditions, which are difficult to predict.

UBS's results in recent periods have demonstrated that changes in the recognition of DTAs can have a very significant effect on its reported results. Any future change in the manner in which UBS remeasures DTAs could affect UBS's effective tax rate, particularly in the year in which the change is made.

UBS's full-year effective tax rate could change if aggregate tax expenses in respect of profits from branches and subsidiaries without loss coverage differ from what is expected. In particular, losses at entities that cannot be offset for tax purposes by net operating losses may increase UBS's effective tax rate. Moreover, tax laws or the tax authorities in countries where UBS has undertaken legal structure changes may prevent the transfer of tax losses incurred in one legal entity to newly organised or reorganised subsidiaries or affiliates or may impose limitations on the utilisation of tax losses that relate to businesses formerly conducted by the transferor. Were this to occur in situations where there were also limited planning opportunities to utilise the tax losses in the originating entity, the DTAs associated with such tax losses may be required to be written down through the income statement.

Changes in tax law may materially affect UBS's effective tax rate and in some cases may substantially affect the profitability of certain activities. In addition, statutory and regulatory changes, as well as changes to the way in which courts and tax authorities interpret tax laws including assertions that UBS is required to pay taxes in a jurisdiction as a result of activities connected to that jurisdiction constituting a permanent establishment or similar theory, and changes in UBS's assessment of uncertain tax positions, could cause the amount of taxes UBS ultimately pays to materially differ from the amount accrued.

Discontinuance of, or changes to, benchmark rates may require adjustments to UBS's agreements with clients and other market participants, as well as to UBS's systems and processes

Since April 2013, the UK Financial Conduct Authority ("**FCA**") has regulated LIBOR and regulators in other jurisdictions have increased oversight of other interbank offered rates ("**IBORs**") and similar "benchmark" rates. Efforts to transition from IBORs to alternative benchmark rates are underway 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, and urged users 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 as at present, if at all.

In the third quarter of 2018, the private-sector 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, have begun 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 an 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.

UBS has a substantial number of contracts linked to IBORs. The new risk-free alternative reference rates do not provide a term structure and will therefore require a change in the contractual terms of products currently indexed on terms other than overnight. In some cases contracts may contain provisions intended to provide a fall-back interest rate in the event of a brief unavailability of the relevant IBOR. These provisions may not be effective or may produce arbitrary results in the event of a permanent cessation of the relevant IBOR. In addition, numerous of UBS's internal systems, limits and processes make use of IBORs as reference rates. Transition to replacement reference rates will require significant effort.

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 has completed the merger of UBS Limited, its UK-based subsidiary, into UBS Europe SE, a German-headquartered European subsidiary. As a result, UBS expects that UBS Europe SE will become subject to direct supervision by the European Central Bank.

Clients and counterparties of UBS Limited who can be serviced by UBS AG, London Branch following the exit of the UK from the EU have generally been migrated to that branch. The remaining clients and other counterparties of UBS Limited were transferred to UBS Europe SE upon completion of a UK business transfer proceeding on 1 March 2019 and the merger of the two entities.

In connection with the merger, a small number of roles are being 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.

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

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

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

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

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

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

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

Liquidity risks

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

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

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

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

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

Strategy, management and operations risks

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

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

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

As part of its strategy, UBS seeks to improve its operating efficiency, in part by controlling its costs. UBS may not be able to identify feasible cost reduction opportunities that are consistent with its business goals and cost reductions may be realized later or may be smaller than UBS anticipates. Higher temporary and permanent regulatory costs and higher business demand than anticipated have partly offset cost reductions and delayed the achievement of UBS's past cost reduction targets, and UBS could continue to be challenged in the execution of its ongoing efforts to improve operating efficiency.

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

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

Operational risks affect UBS's business

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

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

UBS is subject to complex and frequently changing laws and regulations governing the protection of client and personal data, such as the EU General Data Privacy Regulation. Ensuring that UBS complies with applicable laws and regulations when it collects, use and transfer personal information requires substantial resources and may affect the ways in which UBS conducts its business. In the event that it fails to comply with applicable laws, UBS may be exposed to regulatory fines and penalties and other sanctions. UBS may also incur such penalties if its vendors or other service providers or clients or counterparties fail to comply with these laws or to maintain appropriate controls over protected data. In addition, any loss or exposure of client or other data, may adversely damage UBS's reputation and adversely affect its business.

A major focus of US and other countries' governmental policies relating to financial institutions in recent years has been on fighting money laundering and terrorist financing. UBS is required to maintain effective policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and to verify the identity of its clients under the laws of many of the countries in which UBS operates. It is also subject to laws and regulations related to corrupt and illegal payments to government officials by others, such as the US Foreign Corrupt Practices Act and the UK Bribery Act. UBS has implemented policies, procedures and internal controls that are designed to comply with such laws and regulations. Notwithstanding this, US regulators have found deficiencies in the design and operation of anti-money laundering programs in UBS's US operations. UBS has undertaken a significant program to address these regulatory findings with the objective of fully meeting regulatory expectations for its programs. Failure to maintain and implement adequate programs to combat money laundering, terrorist financing or corruption, or any failure of UBS's programs in these areas, could have serious consequences both from legal enforcement action and from damage to UBS's reputation. Frequent changes in sanctions imposed and increasingly complex sanctions imposed on countries, entities and individuals increase UBS's cost of monitoring and complying with sanctions requirements and increase the risk that it will not timely identify previously permissible client activity that is subject to a sanction.

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

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

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

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

UBS's wealth and asset management businesses operate in an environment of increasing regulatory scrutiny and changing standards with respect to fiduciary and other standards of care and the focus on mitigating or eliminating conflicts of interest between a manager or advisor and the client, which require effective implementation across the global systems and processes of investment managers and other industry participants. For example, the SEC proposed a new regulation and interpretation intended to enhance and clarify the duties of brokers and investment advisers to retail customers. The proposed requirements, if adopted, would apply to a large portion of Global Wealth Management's business in the US, and UBS will likely be required to materially change business processes, policies and the terms on which it interacts with these clients in order to comply with these rules, if and when they become fully effective. In addition, MiFID II imposes new requirements on UBS when providing advisory services to clients in the EU, including new requirements for agreements with clients.

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

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

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

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

UBS plans to operate with a CET1 capital ratio of around 13% and a CET1 leverage ratio of around 3.7%. UBS's ability to maintain these ratios is subject to numerous risks, including the financial results of its businesses, the effect of changes to capital standards, methodologies and interpretation that may adversely affect the calculation of UBS's CET1 ratios, the imposition of risk add-ons or capital buffers, and the application of additional capital, liquidity and similar requirements to subsidiaries. The results of UBS's businesses may be adversely affected by events arising from other factors described herein. In some cases, such as litigation and regulatory risk and operational risk events, losses may be sudden and large. These risks could reduce the amount of capital available for return to shareholders and hinder UBS's ability to achieve its capital returns target of a progressive cash dividend coupled with a share repurchase program.

Failure to maintain its capital strength may adversely affect UBS's ability to execute its strategy, its client franchise and its competitive position

UBS's capital strength is a key component of its strategy. Capital strength enables UBS to grow its businesses, and absorb increases in regulatory and capital requirements. It reassures UBS's clients and stakeholders, forms the basis for its capital return policy and contributes to its credit ratings. UBS's capital ratios are driven primarily by RWA, leverage ratio denominator ("**LRD**") and eligible capital, all of which may fluctuate based on a number of factors, some of which are outside UBS's control.

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

RWA are driven by UBS's business activities, by changes in the risk profile of its exposures, by changes in its foreign currency exposures and foreign exchange rates and by regulation. For instance, substantial market volatility, a widening of credit spreads, adverse currency movements, increased counterparty risk, deterioration in the economic environment or increased operational risk could result in an increase in RWA. UBS has significantly reduced its market risk and credit risk RWA in recent years. However, increases in operational risk RWA, particularly those arising from litigation, regulatory and similar matters, and regulatory changes in the calculation of RWA and regulatory add-ons to RWA have offset a substantial portion of this reduction. Changes in the calculation of RWA or, as discussed above, the imposition of additional supplemental RWA charges or multipliers applied to certain exposures and other methodology changes, as well as the implementation of the recently adopted changes to international capital standards for banks, could substantially increase UBS's RWA.

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

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

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

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

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

Constraints on the amount or structure of employee compensation, higher levels of deferral, performance conditions and other circumstances triggering the forfeiture of unvested awards may adversely affect UBS's ability to retain and attract key employees. The loss of key staff and the inability to attract qualified replacements could seriously compromise UBS's ability to execute its strategy and to successfully improve its operating and control environment, and could affect its business performance. Swiss law requires that shareholders approve the compensation of the Board of Directors ("**BoD**") and the GEB each year. If UBS's shareholders fail to approve the compensation for the GEB or the BoD, this could have an adverse effect on its ability to retain experienced directors and its senior management.

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

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

As seen during the financial crisis of 2007–2009, UBS has not always been able to prevent serious losses arising from extreme or sudden market events that are not anticipated by its risk measures and systems. UBS's risk measures, concentration controls and the dimensions in which UBS aggregated risk to identify correlated exposures proved inadequate in a historically severe deterioration in financial markets. As a result, it recorded substantial losses on fixed income trading positions, particularly in 2008 and 2009. UBS has substantially revised and strengthened its risk management and control framework and increased the capital it holds relative to the risks it takes. Nonetheless, UBS could suffer further losses in the future if, for example:

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

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

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

d) third parties to whom UBS has credit exposure or whose securities it holds are severely affected by events and UBS suffers defaults and impairments beyond the level implied by its risk assessment; or

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

UBS has exposures related to real estate in various countries, including a substantial Swiss mortgage portfolio. Although it believes this portfolio is prudently managed, UBS could nevertheless be exposed to losses if a substantial deterioration in the Swiss real estate market were to occur. UBS also holds legacy risk positions, primarily in Corporate Center, that, in many cases, are illiquid and may again deteriorate in value.

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

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

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

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

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

Reputational risk

UBS's reputation is critical to its success

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

Estimation and valuation risk

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

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

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

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

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

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

In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. 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 March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's scheduled departure from the EU at the end of March 2019. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger.

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.

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

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

In the section "1. General Information on UBS AG" the first, second and third paragraph is completely replaced by the following text:

"UBS AG with its subsidiaries (together, "**UBS AG consolidated**", or "**UBS AG Group**"; together with UBS Group AG, which is the holding company of UBS AG, and its subsidiaries, "**UBS Group**", "**Group**", "**UBS**" or "**UBS Group AG consolidated**") provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and four 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 personal and corporate banking business in Switzerland, complemented by its focused investment bank and global asset manager. UBS concentrates on capital-efficient businesses in its targeted markets, where UBS has a strong competitive position and an attractive long-term growth or profitability outlook.

On 31 December 2018, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 12.9%, the CET1 leverage ratio was 3.77%, the total loss-absorbing capacity ratio was 31.7%, and the total loss-absorbing capacity leverage ratio was 9.3%.[1] On the same date, invested assets stood at USD 3,101 billion, equity attributable to shareholders was USD 52,928 million and market capitalisation[2] was USD 45,907 million. On the same date, UBS employed 66,888 people[3]. The 2018 results and the balance sheet as of 31 December 2018 differ from those presented in the unaudited fourth quarter 2018 report published on 22 January 2019 as a result of events adjusted for after the balance sheet date. Provisions for litigation, regulatory and similar matters increased, which reduced 2018 operating profit before tax and 2018 net profit attributable to shareholders each by USD 382 million. As a result, basic earnings per share decreased by USD 0.10 and diluted earnings per share decreased by USD 0.09.

On 31 December 2018, UBS AG consolidated CET1 capital ratio was 13.2%, the CET1 leverage ratio was 3.83%, the total loss-absorbing capacity ratio was 31.3%, and the total loss-absorbing capacity leverage ratio was 9.1%.[1] On the same date, invested assets stood at USD 3,101 billion and equity attributable to UBS AG shareholders was USD 52,256 million. On the same date, UBS AG Group employed 47,643 people[3]. The 2018 results and the balance sheet as of 31 December 2018 differ from those presented in the unaudited fourth quarter 2018 report published on 22 January 2019 as a result of events adjusted for after

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1 All figures based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "*Capital management*" section of the Annual Report 2018, as defined herein, for more information.

2 The calculation of market capitalization has been amended to reflect total shares outstanding multiplied by the share price at the end of the period. The calculation was previously based on total shares issued multiplied by the share price at the end of the period.

3 Full-time equivalents.

the balance sheet date. Provisions for litigation, regulatory and similar matters increased, which reduced 2018 operating profit before tax and 2018 net profit attributable to shareholders each by USD 382 million."

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

"**Business Overview**

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 "*Our strategy, business model and environment*" section of the UBS Group AG and UBS AG Annual Report 2018 published on 15 March 2019 ("**Annual Report 2018**"); 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 "*Our strategy, business model and environment*" section of the Annual Report 2018.

Global Wealth Management

Global Wealth Management provides investment advice and solutions to private clients, in particular in the ultra high net worth and high net worth segments. Clients benefit from Global Wealth Management's comprehensive set of capabilities, including wealth planning, investing, lending, asset protection, philanthropy, corporate and banking services as well as family office services in collaboration with the Investment Bank and Asset Management. Global Wealth Management has a global footprint, with the US representing its largest market. Clients are served through local offices and dedicated advisors. The ultra high net worth business is managed globally across the regions.

Personal & Corporate Banking

Personal & Corporate Banking provides comprehensive financial products and services to private, corporate and institutional clients and operates in Switzerland in the private and corporate loan market. Personal & Corporate Banking is central to UBS's universal bank model in Switzerland and it 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. While Personal & Corporate Banking operates primarily in its home market of Switzerland, it also provides capabilities to support the growth of the international business activities of UBS's corporate and institutional clients through local hubs in Frankfurt, New York, Hong Kong and Singapore. The business is divided into Personal Banking and Corporate & Institutional Clients (CIC).

Asset Management

Asset Management is a large-scale and diversified global asset manager. It offers investment capabilities and styles across all major traditional and alternative asset classes, as well as platform solutions and advisory support, to institutions, wholesale intermediaries and Global Wealth Management clients around the world. Asset Management offers clients a wide range of investment products and services in different asset classes in the form of segregated, pooled or advisory mandates as well as registered investment funds in various jurisdictions. It covers the main asset management markets globally, with a presence in 23 countries grouped in four regions: the Americas; Europe, Middle East and Africa; Switzerland; and Asia Pacific.

Investment Bank

The Investment Bank provides a range of services to institutional, corporate and wealth management clients to help them raise capital, grow their businesses, invest and manage risks. It is focused on its traditional strengths in advisory, capital markets, equities and foreign exchange, complemented by a targeted rates and credit platform. The Investment Bank uses its research and technology capabilities to support its clients as they adapt to the evolving market structures and changes in the regulatory, technological, economic and competitive landscape. The Investment Bank delivers solutions to corporate, institutional and wealth management clients, using its intellectual capital and electronic platforms. It also provides services to Global Wealth Management, Personal & Corporate Banking and Asset Management. It has a global reach, with a presence in 33 countries and principal offices in all major financial hubs.

Corporate Center

Corporate Center provides services to the Group through the Corporate Center – Services and Group Asset and Liability Management ("**Group ALM**") units. Corporate Center also includes the Non-core and Legacy Portfolio unit. Corporate Center – Services consists of the Group Chief Operating Officer area (Group Technology, Group Corporate Services, Group Human Resources, Group Operations and Group Sourcing), Group Finance (excluding Group ALM), Group Legal, Group Risk Control, Communications & Branding, Group Compliance, Regulatory & Governance, and UBS in society. Group ALM manages the structural risk of UBS's balance sheet, including interest rate risk, structural foreign exchange risk and collateral risk, as well as the risks associated with the Group's liquidity and funding portfolios. Group ALM also seeks to optimize financial performance by matching assets and liabilities. Group ALM serves all business divisions and the 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. It is overseen by a committee chaired by the Group Chief Risk Officer.

As announced in the third quarter 2018 report, as of 1 January 2019, UBS no longer separately assesses the performance of Corporate Center – Non-core and Legacy Portfolio, given its substantially reduced size and resource consumption. In addition, following the aforementioned changes to UBS's methodology for allocating funding costs and expenses from Corporate Center – Services and Corporate Center – Group ALM to the business divisions, the operating loss retained in Corporate Center – Services and Corporate Center – Group ALM will be significantly reduced. As a consequence and in compliance with IFRS 8, Operating Segments, beginning with the first quarter 2019 report, UBS will provide results for total Corporate Center only and will not separately report Corporate Center – Services, Group ALM and Non-core and Legacy Portfolio. Furthermore, UBS will operationally combine Group Treasury with Group ALM and call this combined function Group Treasury. Commentary on the performance of this function will be included in the Corporate Center management discussion and analysis in UBS's quarterly and annual reporting. Former Group ALM total risk management net income after allocations will continue to be disclosed as a separate line item. Prior-period information will be restated.

Competition

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

Recent Developments

1. *UBS AG consolidated key figures*

UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2018, 2017 and 2016 from the Annual Report 2018, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2018 and comparative figures for the years ended 31 December 2017 and 2016. The consolidated financial statements were prepared in accordance with International Financial

Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). Effective from1 October 2018, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG's London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*. The presentation currency of UBS AG's consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant Group entities. Prior periods have been restated for this presentation currency change. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods.

Information for the years ended 31 December 2018, 2017 and 2016 which is indicated as being unaudited in the table below was included in the Annual Report 2018, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2018 (to the extent indicated in the section "L. General Information – 7. Documents incorporated by Reference" of this Base Prospectus) is incorporated by reference herein.

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

	As of or for the year ended		
USD million, except where indicated	31.12.18	31.12.17	31.12.16
	audited, except where indicated		
Results			
Operating income	30,642	30,044	28,831
Operating expenses	25,184	24,969	24,643
Operating profit / (loss) before tax	5,458	5,076	4,188
Net profit / (loss) attributable to shareholders	4,107	758	3,351
Profitability and growth			
Return on equity (%) [1]	7.9*	1.4*	6.0*
Return on tangible equity (%) [2]	9.2*	1.8*	7.0*
Return on common equity tier 1 capital (%) [3]	11.9*	2.3*	10.2*
Return on risk-weighted assets, gross (%) [4]	12.0*	12.8*	13.1*
Return on leverage ratio denominator, gross (%) [5]	3.4*	3.4*	3.2*
Cost / income ratio (%) [6]	81.9*	82.7*	85.4*
Net profit growth (%) [7]	441.9*	(77.4)*	(48.5)*
Resources			
Total assets	958,055	940,020	919,236
Equity attributable to shareholders	52,256	51,987	52,957
Common equity tier 1 capital [8, 9]	34,608	34,100*	31,879*
Risk-weighted assets [8]	262,840*	242,725*	219,330*
Common equity tier 1 capital ratio (%) [8,]	13.2*	14.0*	14.5*
Going concern capital ratio (%) [8]	16.1*	15.6*	16.3*
Total loss-absorbing capacity ratio (%) [8]	31.3*	31.4*	29.6*
Leverage ratio denominator [8]	904,458*	910,133*	855,718*
Common equity tier 1 leverage ratio (%) [8]	3.83*	3.75*	3.73*

Going concern leverage ratio (%) [8]	4.7*	4.2*	4.2*
Total loss-absorbing capacity leverage ratio (%) [8]	9.1*	8.4*	7.6*
Other			
Invested assets (USD billion) [10]	3,101	3,262	2,761
Personnel (full-time equivalents)	47,643*	46,009*	56,208*

* unaudited

[1] Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. This measure provides information on the profitability of the business in relation to equity.
[2] Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. This measure provides information on the profitability of the business in relation to tangible equity.
[3] Net profit attributable to shareholders / average common equity tier 1 capital. This measure provides information on the profitability of the business in relation to common equity tier 1 capital.
[4] Operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets. This measure provides information on the revenues of the business in relation to risk-weighted assets.
[5] Operating income before credit loss expense or recovery (annualized as applicable) / average leverage ratio denominator. This measure provides information on the revenues of the business in relation to leverage ratio denominator.
[6] Operating expenses / operating income before credit loss expense or recovery. This measure provides information on the efficiency of the business by comparing operating expenses with gross income.
[7] Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. This measure provides information on profit growth in comparison with the prior period.
[8] Based on the Swiss systemically relevant bank framework as of 1 January 2020.
[9] The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240) and in the UBS Group AG and UBS AG annual report 2016 for the period ended on 31December 2016 (CHF 32,447) was audited.
[10] Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

2. *Accounting, regulatory and legal developments*

Changes to UBS's functional and presentation currencies

As a consequence of many legal entity structural changes over recent years – notably the transfer of the Personal & Corporate Banking and Global Wealth Management businesses booked in Switzerland from UBS AG to UBS Switzerland AG, and the creation of UBS Business Solutions AG, which houses a significant portion of the employees and associated costs that were previously held in UBS AG's Head Office in Switzerland and UBS AG's London branch – there is now a concentration of US dollar-influenced and -managed business activities in UBS AG's Head Office in Switzerland and UBS AG's London Branch. In addition, from the fourth quarter of 2018, for risk management purposes UBS adopted the US dollar as its risk-neutral currency and has adjusted its structural risk positions accordingly. As a result of these changes, effective from 1 October 2018, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG's London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates.

The presentation currency of UBS Group AG's consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant Group entities. Prior periods have been restated for this presentation currency change. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods. Additionally, Other income was restated to reflect releases of foreign currency translation ("**FCT**") gains or losses from Other comprehensive income ("**OCI**") to the income statement when calculated under US dollars as the presentation currency. The retrospective application of the presentation currency change did not affect total equity, but resulted in changes to the accumulated FCT OCI and other components of equity, in particular share premium and retained earnings. UBS has not restated its Basel III capital information due to immateriality.

UBS will continue to publish selected financial and regulatory information in Swiss francs as part of its quarterly and annual reporting at www.ubs.com/investors. Business division results of Personal & Corporate Banking are presented in both Swiss francs and US dollars, and its management's discussion and analysis is provided in Swiss francs, as its business activities are mainly managed in Swiss francs.

UBS expects that these functional and presentation currency changes, together with the related changes to UBS's risk management framework and certain hedging programs, should increase the reported Group operating income by approximately USD 0.3 billion in 2019 based on market-implied forwards.

IFRS 16, Leases

UBS has adopted IFRS 16, Leases, as of 1 January 2019, fundamentally changing how it accounts for operating leases when acting as a lessee. Upon adoption, assets and liabilities increased by approximately USD 3.5 billion, with a corresponding increase in risk-weighted assets ("**RWA**") and leverage ratio denominator ("**LRD**"). As permitted by IFRS 16, UBS elected not to restate prior-period information.

Refer to the "*Regulatory and legal developments*" in the "*Our strategy, business model and environment*" section of the Annual Report 2018 for further information on key accounting, regulatory and legal developments."

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

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

UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions and a Corporate Center.

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

In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. 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 March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's scheduled departure from the EU at the end of March 2019. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger.

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 the section "C. Risk Factors – 2. Security specific

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

UBS Group AG's interests in subsidiaries and other entities as of 31 December 2018, including interests in significant subsidiaries, are discussed in "*Note 31 Interests in subsidiaries and other entities*" to the UBS Group AG's consolidated financial statements included in the Annual Report 2018.

UBS AG's interests in subsidiaries and other entities as of 31 December 2018, including interests in significant subsidiaries, are discussed in "*Note 31 Interests in subsidiaries and other entities*" to the UBS AG's consolidated financial statements included in the Annual Report 2018.

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

The section "4. Trend Information" is completely replaced as follows:

"**4. Trend Information**

As indicated in the UBS fourth quarter 2018 report published on 22 January 2019, while global economic activity continues to moderate, the overall outlook for economic growth remains positive, and asset prices have improved from the fourth quarter of 2018. Lack of progress in resolving geopolitical tensions, rising protectionism and trade disputes along with increased volatility, which affected investor sentiment and confidence in the second half of the year and particularly in the fourth quarter of 2018, would affect client activity in the first quarter of 2019. Lower invested assets as a result of market declines in the fourth quarter of 2018 are expected to affect recurring revenues in Global Wealth Management and Asset Management. Further improvements in market levels, as well as improvements in investor sentiment and client activity would contribute to mitigating revenue and profit growth headwinds. UBS remains well positioned to capitalize on global wealth creation, which UBS expects will continue to sustain its strategy and financial performance. UBS will continue to execute its strategy with discipline, while focusing even more on balancing efficiency and investments for growth, to deliver on its capital return objectives and to create sustainable long-term value for its shareholders.

Refer to "*Our environment*" in the "*Our strategy, business model and environment*" section of the Annual Report 2018 and the section "C. Risk Factors – 1. Issuer specific Risks" of this Base Prospectus for more information."

In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" the first paragraph of the three introductory paragraphs is completely replaced as follows:

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

In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" the subsection "Board of Directors" the first paragraph is completely replaced as follows:

"The BoD consists of at least five and no more than twelve members. All the members of the BoD are elected individually by the Annual General Meeting of Shareholders ("**AGM**") for a term of office of one year, which expires after the completion of the next AGM. Shareholders also elect the Chairman upon proposal of the BoD."

In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" in the subsection "Members of the Board of Directors" the table rows relating to Jeremy Anderson and Beatrice Weder di Mauro are completely replaced as follows:

"

Jeremy Anderson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2019	Member of the Board of Directors of UBS Group AG; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.
Beatrice Weder di Mauro UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2019	Member of the Board of Directors of UBS Group AG; Research Professor and 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.

"

In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" in the subsection "Organisational principles and structure" the second paragraph is completely replaced as follows:

"The BoD committees comprise the Audit Committee, the Compensation Committee and the Risk Committee. The BoD may set up other committees, including so-called ad hoc committees, if it deems such other committees appropriate or necessary."

In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" in the subsection "Audit Committee" the third paragraph is completely replaced as follows:

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

In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" in the subsection "Members of the Executive Board" the table row relating to Tom Naratil is completely replaced as follows:

"

Tom Naratil UBS AG, 1285 Avenue Of The Americas, New York, NY 10019 USA	co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation; member of the Board of Consultors for the College of Nursing at Villanova University.

"

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

"**Historical Annual Financial Information**

Detailed information about UBS AG consolidated and UBS AG assets and liabilities, financial position and profits and losses for financial year 2018 is available in the section "*UBS AG consolidated financial statements*" of the Annual Report 2018 and in the UBS AG's standalone financial statements for the year ended 31 December 2018 (the "**Standalone Financial Statements 2018**"), respectively; and for financial year 2017 it is available in the "*Consolidated financial statements*" section of the UBS Group AG and UBS AG annual report 2017, in English, published on 9 March 2018 ("**Annual Report 2017**") and in the UBS AG's standalone financial statements for the year ended 31 December 2017 (the "**Standalone Financial Statements 2017**"). The consolidated and standalone financial accounts are closed on 31 December of each year.

With respect to the financial year 2018, reference is made to:

(i) the following parts of the Annual Report 2018: the UBS AG consolidated financial statements, in particular to the Income statement on page 524, the Balance sheet on page 527, the Statement of changes in equity on pages 528-531 (inclusive), the Statement of cash flows on pages 533-534 (inclusive) and the Notes to the consolidated financial statements on pages 535-722 (inclusive); and

(ii) the following parts of the Standalone Financial Statements 2018: the Income statement on page 1, the Balance sheet on pages 2-3 (inclusive), the Statement of appropriation of total profit / (loss) carried forward on page 5, and the Notes to the UBS AG standalone financial statements on pages 6-28 (inclusive).

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

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

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

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

Auditing of Historical Annual Financial Information

The consolidated financial statements and the standalone financial statements of UBS AG for financial years 2018 and 2017 were audited by Ernst & Young. The reports of the auditors on the consolidated financial statements can be found on pages 514-523 (inclusive) of the Annual Report 2018 and on pages 464-469 (inclusive) of the Annual Report 2017. The reports of the auditors on the standalone financial statements of UBS AG can be found on pages 29-33 (inclusive) of the Standalone Financial Statements 2018 and on pages 23-26 (inclusive) of the Standalone Financial Statements 2017.

There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2018 and 31 December 2017, which are incorporated by reference into this document.

Other than the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for financial years 2018 and 2017, no information in this Base Prospectus has been audited by the auditors."

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

"**8. Litigation, Regulatory and Similar Matters**

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

Such matters are subject to many uncertainties, and the outcome and the timing of resolution are often difficult to predict, particularly in the earlier stages of a case. There are also situations where UBS may enter into a settlement agreement. This may occur in order to avoid the expense, management distraction or reputational implications of continuing to contest liability, even for those matters for which UBS believes it should be exonerated. The uncertainties inherent in all such matters affect the amount and timing of any potential outflows for both matters with respect to which provisions have been established and other contingent liabilities. UBS makes provisions for such matters brought against it when, in the opinion of management after seeking legal advice, it is more likely than not that UBS has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required, and the amount can be reliably estimated. Where these factors are otherwise satisfied, a provision may be established for claims that have not yet been asserted against UBS, but are nevertheless expected to be, based on UBS's experience with similar asserted claims. If any of those conditions is not met, such matters result in contingent liabilities. If the amount of an obligation cannot be reliably estimated, a liability exists that is not recognized even if an outflow of resources is probable. Accordingly, no provision is established even if the potential outflow of resources with respect to such matters could be significant. Developments relating to a matter that occur after the relevant reporting period, but prior to the issuance of financial statements, which affect management's assessment of the provision for such matter (because, for example, the developments provide evidence of conditions that existed at the end of the reporting period), are adjusting events after the reporting period under IAS 10 and must be recognized in the financial statements for the reporting period.

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in "*Note 21a Provisions*" of the UBS AG's consolidated financial statements included in the Annual Report 2018. 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 described in item 5 of this section, which UBS entered into with the US Department of Justice ("**DOJ**"), Criminal Division, Fraud Section in connection with UBS's submissions of benchmark interest rates, including, among others, the British Bankers' Association London Interbank Offered Rate ("**LIBOR**"), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS's participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

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

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

USD million	Global Wealth Manag e- ment	Personal & Corporat e Banking	Asset Manag e- ment	Investme nt Bank	CC – Services	CC – Group ALM	CC – Non-core and Legacy Portfolio	**Total 2018**	Total 2017
Balance at the beginning of the year	569	81	1	354	246	0	1,256	**2,508**	3,204
Increase in provisions recognized in the income statement	659	41	0	83	32	0	90	**905**	703
Release of provisions recognized in the income statement	(33)	(1)	(1)	(146)	(38)	0	0	**(220)**	(214)
Provisions used in conformity with designated purpose	(184)	(3)	0	(18)	(1)	0	(143)	**(350)**	(1,251)
Foreign currency translation / unwind of discount	(9)	(1)	0	(3)	(2)	0	(1)	**(16)**	66
Balance at the end of the year	**1,003**	**117**	**0**	**269**	**236**	**0**	**1,202**	**2,827**	2,508

1 Provisions, if any, for the matters described in this section are recorded in Global Wealth Management (items 3 and 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 March 2017, the investigating judges issued a 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. The trial on these charges in the court of first instance took place from 8 October 2018 until 15 November 2018. During the trial, the prosecutors and the French State requested penalties and civil monetary damages in connection with the money laundering charges aggregating EUR 5.3 billion. On 20 February 2019, the court announced a verdict finding UBS AG guilty of illicitly soliciting clients on French territory and laundering the proceeds of tax fraud, and UBS France S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS France S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The Court of Appeal will retry the case de novo as to both the law and the facts and the fines and penalties can be greater than or less than those imposed by the court of first instance. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceeded the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized, and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, its balance sheet at 31 December 2018 reflected provisions with respect to this matter in an amount of USD 516 million. The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on its balance sheet at 31 December 2018 reflects UBS's best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

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. In 2018, tax authorities and a prosecutor's office in Italy asserted that UBS is potentially liable for taxes and penalties as a result of its activities in Italy from 2012 to 2017.

UBS has, and reportedly numerous other financial institutions have, received inquiries from authorities concerning accounts relating to the Fédération Internationale de Football Association (FIFA) and other constituent soccer associations and related persons and entities. UBS is cooperating with authorities in these inquiries.

UBS's balance sheet at 31 December 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 in the US District Court for the Southern District of New York 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 court approval 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: Since 2014, the US Attorney's Office for the Eastern District of New York has sought information from UBS pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("**FIRREA**"), related to UBS's RMBS business from 2005 through 2007. On 8 November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under FIRREA related to UBS's issuance, underwriting and sale of 40

RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019.

UBS's balance sheet at 31 December 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 the Swiss Financial Market Supervisory Authority ("**FINMA**") and the Luxembourg Commission de Surveillance du Secteur Financier. 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 totalling 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 2.9 billion, of which claims with aggregate claimed damages of USD 1.9 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. Following denial of the plaintiffs' motion for class certification, the case was dismissed in October 2018.

In 2014 and 2015, UBS entered into settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the SEC and the Financial Industry Regulatory Authority in relation to their examinations 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. 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 31 December 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 terminated the 2012 non-prosecution agreement 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 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. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks alleging violations of US and European competition laws and unjust enrichment.

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. In October 2018, the court granted plaintiffs' 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, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, 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, 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 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. In December 2018 UBS entered into a settlement agreement with the New York and other state attorneys general under which it will pay USD 68 million to resolve claims by the attorneys general related to LIBOR. 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.

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 and Australian BBSW, 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 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 and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of U.S. residents who, from 1 February 2014 through the present, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust and unjust enrichment claims.

Other benchmark class actions 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 lawsuit dismissed the cases as to UBS and certain other foreign defendants for lack of personal jurisdiction. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. 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. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs in the BBSW action moved in January 2019 to file an amended complaint seeking to re-name UBS and certain other banks as defendants. UBS and other defendants also moved to dismiss the GBP LIBOR action in December 2016, but that motion was denied as to UBS in December 2018. UBS moved for reconsideration of that decision in January 2019.

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 US District Court for the Southern District of New York 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.

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

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 31 December 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 31 December 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. On 13 March 2019, UBS Securities Hong Kong Limited and UBS AG entered into a settlement agreement with the SFC resolving all of the SFC’s pending investigations related to sponsorship of initial public offerings ("**IPO**s") by UBS. The agreement provides for a fine of HKD 375 million (USD 48 million) and the suspension of UBS Securities Hong Kong Limited’s ability to act as a sponsor for Hong Kong-listed IPOs for one year.

The specific litigation, regulatory and other matters described above under items (1) to (7) include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in the "*Note 21 Provisions and contingent liabilities*" to the UBS AG's audited consolidated financial statements included in the Annual Report 2018. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which UBS AG is aware) that may have, or have had in the recent past, significant effects on UBS AG Group's and/or UBS AG's financial position or profitability and are or have been pending during the last twelve months until the date of this document.

ERISA class action: 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.

ISDAFIX class action: 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."

In the section "9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" the first and the second paragraph is completely replaced as follows:

"The 2018 results and the balance sheet as of 31 December 2018 differ from those presented in the unaudited fourth quarter 2018 report published on 22 January 2019 as a result of events adjusted for after the balance sheet date. Provisions for litigation, regulatory and similar matters increased, which reduced 2018 operating profit before tax and 2018 net profit attributable to shareholders each by USD 382 million. Other than this, there has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2018, which is the end of the last financial period for which financial information has been published.

There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2018."

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

"6. Availability of the Base Prospectus and other documents

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

(a) the Articles of Association of UBS AG;

(b) The annual report of UBS Group AG and UBS AG as of 31 December 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;

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

(d) the annual report of UBS Group AG and UBS AG as of 31 December 2018, comprising the introductory section, as well as the sections (1) Our strategy, business model and environment, (2) Financial and operating performance,

(3) Risk, treasury and capital management, (4) Corporate governance and compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix;

(e) the UBS AG standalone financial statements and regulatory information for the year ended 31 December 2018 (including the "Report of the statutory auditor on the financial statements");

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

(g) to the extent required to be made available to the general public in accordance with applicable local rules, historical financial information on UBS's subsidiary undertakings for each of the financial years ending 31 December 2017 and 31 December 2018 respectively, and

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

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

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

"**7. Documents incorporated by Reference**

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

(a) The annual report of UBS Group AG and UBS AG as of 31 December 2018 (other than the section "(1) Our strategy, business model and environment - Risk factors" on pages 50 to 61 (including)), comprising the introductory section, as well as the sections (1) Our strategy, business model and environment, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance and compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix;
(published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2018.html);

(b) The UBS AG standalone financial statements and regulatory information for the year ended 31 December 2018 (including the "Report of the statutory auditor on the financial statements") (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/disclosure-legal-entities.html);

(c) The annual report of UBS Group AG and UBS AG as of 31 December 2017 (other than the section "(1) Operating environment and strategy - Risk factors" on pages 45 to 56 (including)), comprising the introductory section, as well as the sections (1) Operating environment and strategy, (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Consolidated financial statements (including the "Statutory auditor's report on the audit of the consolidated financial statements" and the "Report of Independent Registered Public Accounting Firm"), (6) Standalone financial statements, (7) Significant regulated subsidiary and sub-group information, (8) Additional regulatory information, and the Appendix; (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2017.html);

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

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

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

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

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

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

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

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

(l) the Conditions of the Securities as contained on pages 149 to 252 of the Base Prospectus dated 1 March 2018 of UBS AG as filed with SFSA (published on the UBS website, at http://keyinvest-eu.ubs.com/legal-documents).

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

2) In relation to the Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 12 October 2018 in the section headed "A. Summary of the Base Prospectus (in the English language)" the following changes shall be made:

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

Element B.4b is completely replaced as follows:

B.4b	A description of any known trends affecting the issuer or the industries in which it operates.	**Trend Information** As indicated in the UBS fourth quarter 2018 report published on 22 January 2019, while global economic activity continues to moderate, the overall outlook for economic growth remains positive, and asset prices have improved from the fourth quarter of 2018. Lack of progress in resolving geopolitical tensions, rising protectionism and trade disputes along with increased volatility, which affected investor sentiment and confidence in the second half of the year and particularly in the fourth quarter of 2018, would affect client activity in the first quarter of 2019. Lower invested assets as a result of market declines in the fourth quarter of 2018 are expected to affect recurring revenues in Global Wealth Management and Asset Management. Further improvements in market levels, as well as improvements in investor sentiment and client activity would contribute to mitigating revenue and profit growth headwinds. UBS remains well positioned to capitalize on global wealth creation, which UBS expects will continue to sustain its strategy and financial performance. UBS will continue to execute its strategy with discipline, while focusing even more on balancing efficiency and investments for growth, to deliver on its capital return objectives and to create sustainable long-term value for its shareholders.

Element B.5 is completely replaced as follows:

B.5	Description of the group and the issuer's position within the group.	UBS AG is a Swiss bank and the parent company of the UBS AG Group. It is 100% owned by UBS Group AG, which is the holding company of the UBS Group. UBS operates as a group with four business divisions and a Corporate Center. In 2014, UBS began adapting its legal entity structure to improve the resolvability of the Group in response to too big to fail requirements in Switzerland and recovery and resolution regulation in other countries in which the Group operates. In December 2014, UBS Group AG became the holding company of the Group. In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. 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 March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's scheduled departure from the EU at the end of March 2019. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger. 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.

Element B.10 is completely replaced as follows:

B.10	Qualifications in the audit report.	Not applicable. There are no qualifications in the auditors' reports on the consolidated financial statements of UBS AG and the standalone financial statements of UBS AG for the years ended on 31 December 2018 and 31 December 2017.

Element B.12 is completely replaced as follows:

B.12	Selected historical key financial information / Material adverse change statement / Significant changes statement.	UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2018, 2017 and 2016 from the Annual Report 2018, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2018 and comparative figures for the years ended 31 December 2017 and 2016. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). Effective from1 October 2018, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG's London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*. The presentation currency of UBS AG's consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant Group entities. Prior periods have been restated for this presentation currency change. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods. Information for the years ended 31 December 2018, 2017 and 2016 which is indicated as being unaudited in the table below was included in the Annual Report 2018, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements.

	As of or for the year ended		
USD million, except where indicated	31.12.18	31.12.17	31.12.16
	audited, except where indicated		
Results			
Operating income	30,642	30,044	28,831

Operating expenses	25,184	24,969	24,643
Operating profit / (loss) before tax	5,458	5,076	4,188
Net profit / (loss) attributable to shareholders	4,107	758	3,351
Profitability and growth			
Return on equity (%) [1]	7.9*	1.4*	6.0*
Return on tangible equity (%) [2]	9.2*	1.8*	7.0*
Return on common equity tier 1 capital (%) [3]	11.9*	2.3*	10.2*
Return on risk-weighted assets, gross (%) [4]	12.0*	12.8*	13.1*
Return on leverage ratio denominator, gross (%) [5]	3.4*	3.4*	3.2*
Cost / income ratio (%) [6]	81.9*	82.7*	85.4*
Net profit growth (%) [7]	441.9*	(77.4)*	(48.5)*
Resources			
Total assets	958,055	940,020	919,236
Equity attributable to shareholders	52,256	51,987	52,957
Common equity tier 1 capital [8, 9]	34,608	34,100*	31,879*
Risk-weighted assets [8]	262,840*	242,725*	219,330*
Common equity tier 1 capital ratio (%) [8,]	13.2*	14.0*	14.5*
Going concern capital ratio (%) [8]	16.1*	15.6*	16.3*
Total loss-absorbing capacity ratio (%) [8]	31.3*	31.4*	29.6*
Leverage ratio denominator [8]	904,458*	910,133*	855,718*
Common equity tier 1 leverage ratio (%) [8]	3.83*	3.75*	3.73*
Going concern leverage ratio (%) [8]	4.7*	4.2*	4.2*
Total loss-absorbing capacity leverage ratio (%) [8]	9.1*	8.4*	7.6*
Other			
Invested assets (USD billion) [10]	3,101	3,262	2,761
Personnel (full-time equivalents)	47,643*	46,009*	56,208*

* unaudited

[1] Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. This measure provides information on the profitability of the business in relation to equity.
[2] Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. This measure provides information on the profitability of the business in relation to tangible equity.
[3] Net profit attributable to shareholders / average common equity tier 1 capital. This measure provides information on the profitability of the business in relation to common equity tier 1 capital.
[4] Operating income before credit loss expense or recovery (annualized as applicable) / average risk-weighted assets. This measure provides information on the revenues of the business in relation to risk-weighted assets.
[5] Operating income before credit loss expense or recovery (annualized as applicable) / average leverage ratio denominator. This measure provides information on the revenues of the business in relation to leverage ratio denominator.
[6] Operating expenses / operating income before credit loss expense or recovery. This measure provides information on the efficiency of the business by comparing operating expenses with gross income.
[7] Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. This measure provides information on profit growth in comparison with the prior period.
[8] Based on the Swiss systemically relevant bank framework as of 1 January 2020.
[9] The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240) and in the UBS Group AG and UBS AG annual report 2016 for the period ended on 31December 2016 (CHF 32,447) was audited.
[10] Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2018.
	Significant changes statement.	The 2018 results and the balance sheet as of 31 December 2018 differ from those presented in the unaudited fourth quarter 2018 report published on 22 January 2019 as a result of events adjusted for after the balance sheet date. Provisions for litigation, regulatory and similar matters increased, which

		reduced 2018 operating profit before tax and 2018 net profit attributable to shareholders each by USD 382 million. Other than this, there has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 31 December 2018, which is the end of the last financial period for which financial information has been published.

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

B.15	Issuer's principal activities.	UBS AG with its subsidiaries provides financial advice and solutions to private, institutional and corporate clients worldwide, as well as private clients in Switzerland. The operational structure of the Group is comprised of the Corporate Center and four 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 personal and corporate banking business in Switzerland, complemented by its focused investment bank and global asset manager. UBS concentrates on capital-efficient businesses in its targeted markets, where UBS has a strong competitive position and an attractive long-term growth or profitability outlook. According to article 2 of the articles of association of UBS AG dated 26 April 2018 ("**Articles of Association**"), the purpose of UBS AG is the operation of a bank. Its scope of operations extends to all types of banking, financial, advisory, trading and service activities in Switzerland and abroad. UBS AG may establish branches and representative offices as well as banks, finance companies and other enterprises of any kind in Switzerland and abroad, hold equity interests in these companies, and conduct their management. UBS AG is authorized to acquire, mortgage and sell real estate and building rights in Switzerland and abroad. UBS AG may borrow and invest money on the capital markets. UBS AG is part of the group of companies controlled by the group parent company UBS Group AG. It may promote the interests of the group parent company or other group companies. It may provide loans, guarantees and other kinds of financing and security for group companies.

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

Element D.2 is completely replaced as follows:

D.2	Key information on the key risks that is specific and individual to the issuer.	The Securities entail an issuer risk, also referred to as debtor risk or credit risk for prospective investors. An issuer risk is the risk that UBS AG becomes temporarily or permanently unable to meet its obligations under the Securities. **General insolvency risk** Each investor bears the general risk that the financial situation of the Issuer could deteriorate. The debt or derivative securities of the Issuer will constitute immediate, unsecured and unsubordinated obligations of the Issuer, which, in particular in the case of insolvency of the Issuer, rank pari passu with each other and all other current and future unsecured and unsubordinated obligations of the Issuer, with the exception of those that have priority due to mandatory statutory provisions. The Securities are not bank deposits and an investment in the Securities carries risks which are very different from the risk profile of a bank deposit placed with the Issuer or its affiliates. The Issuer's obligations relating to the Securities are not protected by any statutory or voluntary deposit guarantee system or compensation

		scheme. **In the event of insolvency of the Issuer, investors may thus experience a total loss of their investment in the Securities.** UBS AG as Issuer and UBS are subject to various risks relating to their business activities. Summarised below are the risks that may affect the Group's ability to execute its strategy or its business activities, financial condition, results of operations and prospects, which the Group considers material and is presently aware of: <u>Market and macroeconomic risks</u> • Performance in the financial services industry is affected by market conditions and the macroeconomic climate • UBS is exposed to the credit risk of its clients, trading counterparties and other financial institutions <u>Market conditions and fluctuations may have a detrimental effect on UBS's profitability, capital strength, liquidity and funding position</u> • Low and negative interest rates in Switzerland and the eurozone have negatively affected UBS's net interest income • Currency fluctuation <u>Regulatory and legal risks</u> • Substantial changes in the regulation may adversely affect UBS's businesses and its ability to execute its stra-tegic plans • Material legal and regulatory risks arise in the conduct of UBS's business • The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets • Discontinuance of, or changes to, benchmark rates may require adjustments to UBS's agreements with clients and other market participants, as well as to UBS's systems and processes • UK withdrawal from the EU • If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors <u>Liquidity risks</u> • Liquidity and funding management are critical to UBS's ongoing performance <u>Strategy, management and operations riks</u> • UBS may not be successful in the ongoing execution of its strategic plans • Operational risks affect UBS's business • UBS may not be successful in implementing changes in its wealth management businesses to meet changing market, regulatory and other conditions

		• UBS's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly • Failure to maintain its capital strength may adversely affect UBS's ability to execute its strategy, its client franchise and its competitive position • UBS may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees • UBS depends on its risk management and control processes to avoid or limit potential losses in its businesses • UBS AG's operating results, financial condition and ability to pay its obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG, UBS Americas Holding LLC, UBS Europe SE and other subsidiaries, which may be subject to restrictions <u>Reputational risk</u> • UBS's reputation is critical to its success <u>Estimation and valuation risk</u> • UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards However, because the business of a broad-based international financial services firm such as UBS is inherently exposed to multiple risks, many of which may become apparent only with the benefit of hindsight, risks that UBS does not consider to be material or of which it is not currently aware, could also adversely affect UBS.

3) In relation to the Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 12 October 2018 in the section headed "B. Summary of the Base Prospectus (in the Swedish language)" the following changes shall be made:

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

Element B.4b is completely replaced as follows:

B.4b	En beskrivning av varje känd trend som påverkar emittenten eller de branscher där emittenten är verksam.	**Information om trender** Som angivits i UBS rapport för fjärde kvartalet 2018, publicerad den 22 januari 2019, är de övergripande utsikterna för ekonomisk tillväxt fortsatt positiva, även om den globala ekonomiska aktiviteten fortsätter att mattas av, och dessutom har priserna på tillgångar förbättrats från fjärde kvartalet 2018. Brist på framsteg när det gäller att lösa geopolitiska spänningar, ökande protektionism och handelskonflikter tillsammans med ökad volatilitet, vilket påverkat investerarnas risksentiment och tillförsikt under andra halvåret och särskilt under fjärde kvartalet 2018, bör påverka kundverksamheten under första kvartalet 2019. Lägre investerade tillgångar, som en följd av marknadsnedgångar under fjärde kvartalet 2018, förväntas påverka återkommande intäkter i Global Wealth Management och Asset Management. Ytterligare förbättringar avseende marknadsnivåer samt förbättringar av investerarnas förtroende och kundaktiviteter kan bidra till att mildra motvinden när det gäller intäktsströmmar och vinsttillväxt. UBS är fortsatt väl positionerat för att dra nytta av globalt välståndsskapande, något UBS förväntar sig en fortsättning på för att upprätthålla strategin och de finansiella resultaten. UBS kommer disciplinerat fortsätta att genomföra sin strategi, samtidigt med en ökad satsning på att balansera effektivitet och investeringar för tillväxt, leverera kapitalavkastningsmål och skapa ett hållbart långsiktigt värde för aktieägarna.

Element B.5 is completely replaced as follows:

B.5	Beskrivning av koncernen och emittentens plats inom koncernen.	UBS AG är en schweizisk bank och moderbolaget till UBS AG-koncernen. Det ägs till 100 % av UBS Group AG, som är holdingbolaget för UBS-koncernen. UBS bedrivs som en koncern med fyra affärsdivisioner samt ett Corporate Center. Under 2014 började UBS att anpassa sin juridiska enhetsstruktur för att förbättra Koncernens förmåga till avveckling för att möta kraven i Schweiz och rekonstruktions- och avvecklingsplaner av andra länder där Koncernen är verksam, avseende företag som anses för stora för att tillåtas fallera. I december 2014 blev UBS Group AG Koncernens holdingbolag. Under 2015 överförde UBS AG sin verksamhet inom Personal & Corporate Banking och Wealth Management, som bokförs i Schweiz, till det nyligen etablerade UBS Switzerland AG, ett bankdotterföretag till UBS AG i Schweiz. Under 2016 utsågs UBS Americas Holding LLC till det mellanliggande holdingbolaget för UBS:s dotterbolag i USA, och UBS slog ihop sina Wealth Management-dotterbolag i olika europeiska länder till UBS Europe SE, UBS europeiska dotterbolag med säte i Tyskland. Dessutom överförde UBS majoriteten av de rörelsedrivande dotterbolagen inom Asset Management till UBS Asset Management AG. UBS Business Solutions AG, ett helägt dotterföretag till UBS Group AG, etablerades 2015 och agerar som Koncernens serviceföretag. Under 2017 överfördes UBS delade servicefunktioner i Schweiz och Storbritannien från UBS AG till UBS Business Solutions AG. UBS slutförde också överföringen av delade tjänstefunktioner i USA till sitt amerikanska serviceföretag, UBS Business

		Solutions US LLC, ett helägt dotterbolag till UBS Americas Holding LLC. I mars 2019 fusionerades UBS Limited, UBS dotterbolag i Storbritannien, med UBS Europe SE före Storbritanniens planerade utträde ur EU i slutet av mars 2019. Tidigare kunder och andra motparter till UBS Limited, som kan betjänas av UBS AG:s kontor i London, migrerades till UBS AG:s kontor i London före fusionen. UBS fortsätter att överväga ytterligare förändringar beträffande Koncernens juridiska struktur för att möta regulatoriska krav och andra externa utvecklingar. Sådana förändringar kan inkludera ytterligare konsolidering av rörelsedrivande dotterföretag i EU och justeringar beträffande bokförande enhet eller placeringen av produkter och tjänster.

Element B.10 is completely replaced as follows:

B.10	Anmärkningar i revisions-berättelsen.	Ej tillämpligt. Det finns inte några anmärkningar i revisionsberättelsen för de konsoliderade finansiella räkenskaperna för UBS AG och de separata finansiella räkenskaperna för UBS AG för åren som slutade den 31 december 2018 och 31 december 2017.

Element B.12 is completely replaced as follows:

B.12	Utvald historisk finansiell nyckelinformation / Uttalande om väsentliga negativa förändringar / Uttalande om väsentliga förändringar.	UBS AG erhöll utvald konsoliderad finansiell information, inkluderad i tabellen nedan för åren som slutade 31 december 2018, 2017 och 2016 från Årsredovisningen för 2018, vilken innehåller de reviderade konsoliderade finansiella räkenskaperna för UBS AG, liksom ytterligare oreviderad konsoliderad finansiell information, för året som slutade den 31 december 2018 och jämförelsesiffror för åren som slutade den 31 december 2017 och 2016. De konsoliderade finansiella räkenskaperna har tagits fram i enlighet med International Financial Reporting Standards ("**IFRS**"), utfärdade av International Accounting Standards Board ("**IASB**"). Med ikraftträdande den 1 oktober 2018 ändrades den funktionella valutan i UBS Group AG och UBS AG:s huvudkontor i Schweiz från schweiziska franc till amerikanska dollar och valutan för UBS AG:s London-filial från brittiska pund till amerikanska dollar i enlighet med kraven i International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*. Presentationsvalutan för UBS AG:s konsoliderade finansiella information har ändrats från schweiziska franc till amerikanska dollar som en anpassning till de funktionella valutaförändringarna inom betydande koncernenheter. Tidigare perioder har omformulerats för denna ändring av presentationsvalutan. Tillgångar, skulder och totalkapital har omräknats till amerikanska dollar i enlighet med valutakurs vid stängning för de aktuella datumen i balansräkningen och utgifter har omräknats till respektive genomsnittliga kurser för de relevanta perioderna. Information för åren som slutade 31 december 2018, 2017 och 2016 vilken indikeras som oreviderad i tabellen nedan, inkluderades i Årsredovisningen för 2018 men har inte reviderats på grund av att de respektive beskrivningarna inte krävs enligt IFRS och därför inte utgör del av de reviderade finansiella räkenskaperna.

	Per eller för året som slutade		
USD miljoner, förutom där indikerat	31.12.18	31.12.17	31.12.16
	Reviderat, förutom där indikerat		
Resultat			

Rörelseintäkter	30 642	30 044	28 831
Rörelsekostnader	25 184	24 969	24 643
Rörelsevinst / (förlust) före skatt	5 458	5 076	4 188
Nettovinst / (förlust) hänförlig till aktieägare	4 107	758	3 351
Lönsamhet och tillväxt			
Avkastning på eget kapital (%) [1]	7,9*	1,4*	6,0*
Avkastning på synligt eget kapital (%) [2]	9,2*	1,8*	7,0*
Avkastning på primärkapital (%) [3]	11,9*	2,3*	10,2*
Avkastning på riskvägda tillgångar, brutto (%) [4]	12,0*	12,8*	13,1*
Avkastning på hävstångsrelationsnämnare, brutto (%) [5]	3,4*	3,4*	3,2*
Kostnads / intäktsrelation (%) [6]	81,9*	82,7*	85,4*
Nettovinsttillväxt (%) [7]	441,9*	(77,4)*	(48,5)*
Resurser			
Totala tillgångar	958 055	940 020	919 236
Eget kapital hänförligt till aktieägare	52 256	51 987	52 957
Primärkapital (Common equity tier 1 capital) [8, 9]	34 608	34 100*	31 879*
Riskvägda tillgångar [8]	262 840*	242 725*	219 330*
Primärkapitalrelation (Common equity tier 1 capital ratio) (%) [8]	13,2*	14,0*	14,5*
Kapitalrelation enligt going concern (%) [8]	16,1*	15,6*	16,3*
Total förlustabsorberingskvot (%) [8]	31,3*	31,4*	29,6*
Hävstångsrelationsnämnare [8]	904 458*	910 133*	855 718*
Hävstångsrelation för primärkapital (%) [8]	3,83*	3,75*	3,73*
Hävstångsrelation enligt "going concern" (%) [8]	4,7*	4,2*	4,2*
Total förlustabsorberingskapacitetskvot på hävstången(%) [8]	9,1*	8,4*	7,6*
Övrigt			
Investerade tillgångar (USD miljarder) [10]	3 101	3 262	2 761
Anställda (motsvarande heltidstjänster)	47 643*	46 009*	56 208*

* oreviderat

1 Nettovinst hänförlig till aktieägares profit (på årsbasis där tillämpligt)/genomsnittligt eget kapital hänförligt till aktieägare. Detta mått tillhandahåller information om verksamhetens lönsamhet i förhållande till kapital.
2 Nettovinst hänförlig till aktieägare före nedskrivningar och reserveringar av goodwill och immateriella tillgångar (på årsbasis där tillämpligt) / genomsnittligt eget kapital hänförligt till aktieägare minskat med genomsnittlig goodwill och immateriella tillgångar. Detta mått tillhandahåller information om verksamhetens lönsamhet i förhållande till materiellt kapital.
3 Nettovinst hänförlig till aktieägare /genomsnittligt primärkapital. Detta mått tillhandahåller information om verksamhetens lönsamhet i förhållande till primärkapital.
4 Operativ inkomst före kreditförlustutgift eller återvinning (på årsbasis där tillämpligt)/genomsnittliga fullt tillämpade riskavvägda tillgångar. Detta mått tillhandahåller information om företagets intäkter i förhållande till riskavvägda tillgångar.
5 Operativ inkomst före kreditförlustutgift eller återvinning (på årsbasis där tillämpligt)/genomsnittlig hävstångsrelationsnämnare. Detta mått tillhandahåller information om företagets intäkter i förhållande till hävstångsrelationsnämnaren.
6 Rörelseutgifter/rörelseintäkter före kreditförlustutgift eller återvinning. Detta mått tillhandahåller information om företagets effektivitet genom att jämföra rörelsekostnader med bruttointäkt.
7 Förändring i nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder/nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter under jämförelseperiod. Detta mått tillhandahåller information om vinsttillväxt i förhållande till tidigare period.
8 Baserat på de reviderade schweiziska SRB-reglerna gällande från och med den 1 januari 2020.
9 Informationen som publicerades i schweiziska franc i Årsredovisningen 2017 för perioden som avslutades den 31 december 2017 (CHF 33 240) och i UBS Group AG och UBS AG:s årsredovisning 2016 för perioden som avslutades den 31 december 2016 (CHF 32 447) har granskats.
10 Inkluderar investerade tillgångar inom Global Wealth Management, Asset Management och Personal & Corporate Banking.

	Uttalande om väsentliga negativa förändringar.	Det har inte inträffat någon väsentlig negativ förändring i framtidsutsikterna för UBS AG eller UBS AG-koncernen sedan den 31 december 2018.
	Uttalande om	Resultaten för 2018 och balansräkningen för den 31 december 2018 skiljer sig

	väsentliga förändringar.	från de som presenterades i den icke reviderade rapporten för det fjärde kvartalet 2018, vilken publicerades den 22 januari 2019, som ett resultat av händelserna som justerades efter balansräkningsdatumet. Provisionerna för rättstvister, förordningar och liknande frågor ökade, vilket minskade rörelseintäkterna för 2018 före skatt och nettovinst som tilldelas aktieägare för 2018 med 382 miljoner USD. Utöver detta har det inte inträffat någon väsentlig förändring i den finansiella positionen eller handelspositionen för UBS AG eller UBS AG-koncernen sedan den 31 december 2018, vilket är slutet på den senaste finansiella perioden för vilken finansiell information har publicerats.

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

B.15	Emittentens huvudsakliga verksamhet.	UBS AG och dess dotterbolag tillhandahåller finansiell rådgivning och lösningar till privata, institutionella och företagskunder i hela världen, likväl som till privata kunder i Schweiz. Koncernens struktur består av Corporate Center och fyra divisioner: Global Wealth Management, Personal & Corporate Banking, Asset Management och Investment Bank. UBS strategi centreras på dess ledande globala Wealth Management-verksamheter och dess framstående Personal & Corporate Banking-verksamhet i Schweiz, vilket kompletteras av dess fokuserade investeringsbank och globala tillgångshantering. UBS fokuserar på kapitaleffektiva verksamheter på sina marknader, där USB har en stark konkurrensposition och en attraktiv långsiktig tillväxt eller lönsamhetsprognos. Enligt Artikel 2 i Bolagsordningen för UBS AG, daterad den 26 april 2018 (”**Bolagsordningen**”) är verksamhetsföremålet för UBS AG att bedriva bankverksamhet. Dess verksamhet sträcker sig över alla typer av banktjänster, finansiella tjänster, rådgivningstjänster och handelsaktiviteter i Schweiz och utomlands. UBS AG kan etablera filialer och representationskontor liksom även banker, kreditmarknadsföretag och andra företag av varje slag i Schweiz och utomlands, inneha ägarintressen i dessa bolag och sköta dessas ledning. UBS AG är auktoriserat att köpa, inteckna och sälja fast egendom och byggrätter i Schweiz och utomlands. UBS AG kan låna och investera på penning- och kapitalmarknader. UBS AG ingår i den företagskoncern som styrs av moderföretaget UBS Group AG. Det kan verka till fördel för koncernens moderföretag eller andra koncernföretag. Det kan tillhandahålla lån, garantier och andra former av finansiering och säkerheter för koncernföretagen.

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

Element D.2 is completely replaced as follows:

D.2	Nyckelinformation om väsentliga risker som är specifika och individuella för Emittenten.	Värdepapperen medför emittentrisk, även kallad gäldenärsrisk eller kreditrisk, för potentiella investerare. En emittentrisk är risken att UBS AG tillfälligt eller varaktigt blir oförmögen att fullgöra sina förpliktelser i relation till Värdepapperen. **Generell risk för insolvens** Varje investerare bär den generella risken att den finansiella situationen för Emittenten kan försämras. Emittentens skuld- och derivatinstrument utgör direkta, icke säkerställda och icke efterställda förpliktelser för Emittenten, vilka, i synnerhet i händelse av Emittentens insolvens, rangordnas lika med varandra och med samtliga andra av Emittentens nuvarande och framtida icke säkerställda och icke efterställda förpliktelser, med undantag för dem som har förmånsrätt enligt tvingande lagregler. Värdepapperna är inte

banktillgodohavande och en investering i Värdepapper innebär risker som är mycket olika riskprofilen för ett banktillgodohavande som är placerat hos Emittenten eller dennes dotterbolag. Emittentens förpliktelser i relation till Värdepapperen garanteras inte av något lagstadgat eller frivilligt system av insättningsgarantier eller kompensationsplaner. **Om Emittenten blir insolvent kan följaktligen investerare lida en total förlust av sina investeringar i Värdepapperen.**

UBS AG som Emittent och UBS är utsatta för olika riskfaktorer i sin affärsverksamhet. Sammanfattade nedan är de risker som kan påverka Koncernens förmåga att verkställa sin strategi eller sin affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter, vilka Koncernen anser är väsentliga och för närvarande är medveten om:

Marknads- och makroekonomiska risker

- Utvecklingen inom den finanstjänsteindustrin påverkas av marknadsförhållanden och det makroekonomiska klimatet.

- UBS är exponerad för kreditrisker relaterade till dess klienter, handelsmotparter och andra finansinstitut

Marknadsförhållanden och fluktuationer kan ha en skadlig inverkan på UBS:s lönsamhet, kapitalstyrka, dess likviditet och finansieringsposition.

- Låga och negativa räntor i Schweiz och euroområdet har påverkat UBS nettoränteintänker negativt

- Valutafluktuering

Juridiska och regulatoriska risker

- Regulatoriska och juridiska ändringar kan negativt påverka UBS:s verksamhet och dess förmåga att verkställa sina strategiska planer.

- Betydande juridiska och regulatoriska risker uppkommer vid driften av UBS verksamhet.

- Inverkan av skatter på UBS:s finansiella resultat påverkas i betydande mån av ändringar i skattelagen och omvärderingar av dess uppskjutna skattefordringar

- Upphörande eller förändring av referensräntan kan påkalla justeringar av avtal som UBS ingått med kunder och andra marknadsaktörer, liksom av UBS system och processer.

- Storbritannien går ut ur EU.

- Om UBS erfar finansiella svårigheter har FINMA befogenheten att starta resolutions- eller likvidationsförfaranden eller införa skyddsåtgärder avseende UBS Group AG, UBS AG eller UBS Switzerland AG, och sådana förfaranden eller åtgärder kan ha en betydande negativ inverkan för UBS:s aktieägare och borgenärer.

Likviditetsrisker

- Likviditets- och finansieringsförvaltning är avgörande för UBS:s löpande utveckling.

		Risker relaterade till strategi, förvaltning och verksamhet • UBS är kanske inte framgångsrikt i det löpande verkställandet av sina strategiska planer. • Operationella risker påverkar UBS verksamhet. • UBS kanske inte lyckas att verkställa förändringar inom sina förmögenhetsförvaltningsverksamheter för att möta förändrade marknads- regulatoriska och andra förhållanden. • UBS:s angivna kapitalutdelningsmål är baserat, till en del, på kapitalrelationer som är föremål för regleringsförändringar och kan i hög grad fluktuera. • Om UBS är oförmöget att bibehålla sin kapitalstyrka, kan detta negativt påverka dess förmåga att verkställa sin strategi, klientverksamhet och konkurrensposition. • UBS är kanske inte i stånd att att identifiera eller tillvarata intäkts- eller konkurrensmöjligheter eller att behålla och attrahera kvalificerade anställda. • UBS är beroende av sina riskhanterings- och kontrollprocesser för att undvika eller begränsa potentiella förluster inom sina företag. • UBS AG:s rörelseresultat, finansiella ställning och förmåga att betala sina förpliktelser i framtiden kan påverkas av finansiering, utdelningar och andra överföringar som erhålls från UBS Switzerland AG, UBS Americas Holding LLC, UBS Europe SE och andra dotterföretag, vilket kan vara föremål för begränsningar. Ryktesrisk • UBS:s renommé är avgörande för dess framgång. Skattnings- och värderingsrisk • UBS:s finansiella resultat kan påverkas negativt av ändringar i antaganden och värderingar samt i redovisningsstandarder. Men eftersom verksamheten i ett brett baserat internationellt finanstjänsteföretag som UBS till sin inneboende natur är exponerad mot flera risker, varav många kan bli uppenbara endast i efterhand, kan risker som UBS inte för närvarande är medvetet om eller som det för närvarande inte betraktar som väsentliga också negativt påverka UBS.

ADDRESS LIST

ISSUER

Registered head Office

UBS AG
Bahnhofstrasse 45
8001 Zurich
Switzerland

UBS AG
Aeschenvorstadt 1
4051 Basle
Switzerland

Executive Office of UBS AG, Jersey Branch

UBS AG, Jersey Branch
24 Union Street
St. Helier JE2 3RF
Jersey
Channel Islands

Executive Office of UBS AG, London Branch

UBS AG, London Branch
5 Broadgate
London EC2M 2QS
United Kingdom

The Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 12 October 2018 and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website http://keyinvest-eu.ubs.com/base-prospectus, or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on www.ubs.com/keyinvest.

In addition, the annual reports and quarterly result materials of UBS Group AG and UBS AG are published on UBS's website, at http://ubs.com/investors or a successor address notified by the Issuer to the Securityholders for this purpose by way of publication on www.ubs.com.

Zurich, 18 April 2019

UBS AG