

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

Dated 29 August 2018 to the Base Prospectus of UBS AG, [London] [Jersey] [Branch], dated 1 March 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 18-1611. 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 6 April 2018. The Supplement was published by UBS AG on 6 April 2018. Registration number at the SFSA is 18-6245.

Supplement No. 2 was approved by the SFSA on 25 May 2018. The Supplement was published by UBS AG on 25 May 2018. Registration number at the SFSA is 18-9427.

This Supplement No. 3 was approved by the SFSA on 29 August 2018. This Supplement was published by UBS AG on 29 August 2018. Registration number at the SFSA is 18-15274.

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

Upgrade of UBS AG's long-term senior debt rating from Moody's on 18 June 2018 and publication of the second quarter 2018 financial report as per 30 June 2018 of UBS Group AG on 24 July 2018 and of UBS AG on 27 July 2018.

In the course of supplementing the Base Prospectus, as mentioned above, UBS AG has also taken the occasion to update in this Supplement certain updated information that has become available after the date of the Base Prospectus.

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 31 August 2018. 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:

In the section "1. Issuer specific Risks" in the paragraph headed "Substantial changes in the regulation of UBS's businesses may adversely affect its business and UBS's ability to execute its strategic plans" the fourth last subparagraph (starting with "The Swiss Banking Act...") is completely replaced as follows:

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

In the section "1. Issuer specific Risks" the paragraph headed "UK withdrawal from the EU" is completely replaced as follows:

"UK withdrawal from the EU

Although negotiations between the UK and the EU over the transition continue, UBS expects that the UK will leave the EU in March 2019, and that any transition arrangements will be agreed to only relatively 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 commenced the process of seeking regulatory approvals for the merger of UBS Limited, UBS's UK-headquartered subsidiary, into UBS Europe SE, UBS's German-headquartered European bank. UBS expects to complete the merger prior to the UK leaving the EU. Following completion of the merger, UBS expects that UBS Europe SE will become subject to direct supervision by the European Central Bank.

As reported in the Annual Report 2017, certain clients and other counterparties of UBS Limited would become clients or counterparties of UBS Europe SE through the planned merger of the two entities. During the third quarter of 2018, UBS expects to commence a business transfer proceeding in the UK to facilitate the transfer of client business in connection with the merger. UBS also expects to commence German merger proceedings in the same timeframe.

UBS anticipates that clients of UBS Limited who can be serviced by UBS AG, London Branch would generally be migrated to UBS AG, London Branch prior to this merger. In connection with the merger of UBS Limited into UBS Europe SE, some staff will be relocated, although the number of staff and roles have not yet been finally determined. UBS also expects to increase the capitalization of UBS Europe SE, primarily through internal subordinated debt issuance, to reflect the additional activities it would acquire. The timing and extent of the actions UBS takes may vary considerably from its current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU."

In the section "1. Issuer specific Risks" another risk factor is added at the end of the section:

"Risks related to "benchmarks"

Since April 2013, the U.K. Financial Conduct Authority ("FCA") has regulated the London Interbank Offered Rates ("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 under way in several jurisdictions. The FCA announced in July 2017 that it will not continue beyond 2021 to regulate LIBOR or take other actions to sustain LIBOR, 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 at present, if at all.

In April 2017, the Working Group on Sterling Risk-Free Reference Rates selected the Sterling Overnight Index Average as the recommended British pound risk-free rate. In the US, the Alternative Reference Rates Committee has recommended a broad Treasuries repo financing rate as the new US dollar secured risk-free rate, which is expected to be available in 2018. The Federal Reserve Bank of New York has launched a consultation on the construction of this and two other Treasury repurchase agreement-derived rates. The European Central Bank ("ECB") has also announced its decision to develop, before 2020, a euro unsecured overnight interest rate based on transaction data already reported to the ECB by banks. The working group on euro risk-free rates, led by the ECB, released a consultation in June 2018 aiming to assess the potential advantages and disadvantages of three euro risk-free rates, which could replace the Euro OverNight Index Average (EONIA) as of 2020. In July 2018, the International Swaps and Derivatives Association launched a market-wide consultation on technical issues related to new benchmark fallbacks for derivatives contracts that reference certain IBORs. At this time, it is not possible to predict the effect of any such changes, any establishment of alternative reference rates or any other reforms to IBORs that may be implemented in the United Kingdom or elsewhere. UBS has significant contractual rights and obligations referenced to IBOR benchmarks. Discontinuance of, or changes to, benchmark rates as a result of these developments or other initiatives or investigations, as well as uncertainty as to the timing and manner of implementation of such changes or discontinuance, may require adjustments to agreements by UBS, its clients and other market participants, as well as to UBS's systems and processes."

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, and UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its Wealth Management subsidiaries in various European countries into UBS Europe SE. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.

UBS Business Solutions AG, a 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.

Given the continuing uncertainty on transition arrangements between the UK and the EU and the potential future restrictions on providing financial services into the EU from the UK, UBS has commenced the process of seeking regulatory approvals for the merger of UBS Limited into UBS Europe SE, UBS's German-headquartered European bank. During the third quarter of 2018, UBS expects to commence a business transfer proceeding in the UK to facilitate the transfer of client business in connection with the merger. UBS also expects to commence German merger proceedings in the same timeframe. The timing and extent of the actions UBS takes may vary considerably from its current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.

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

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU, and adjustments to the booking entity or location of products and services.

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 second, third and fourth paragraph is completely replaced by the following text:

"On 30 June 2018, UBS Group's common equity tier 1 ("CET1") capital ratio was 13.4%, the CET1 leverage ratio was 3.75%, the total loss-absorbing capacity ratio was 32.3% on a fully applied basis, and the total loss-absorbing capacity leverage ratio was 9.0% on a fully applied basis.¹ On the same date, invested assets stood at CHF 3,242 billion, equity attributable to shareholders was CHF 50,774 million and market capitalisation was CHF 59,072 million. On the same date, UBS employed 63,684 people².

On 30 June 2018, UBS AG consolidated CET1 capital ratio was 13.4%, the CET1 leverage ratio was 3.73%, the total loss-absorbing capacity ratio was 31.7% on a fully applied basis, and the total loss-absorbing capacity leverage ratio was 8.8% on a fully applied basis.¹ On

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

² Full-time equivalents.

the same date, invested assets stood at CHF 3,242 billion and equity attributable to UBS AG shareholders was CHF 49,961 million. On the same date, UBS AG Group employed 46,597 people².

The rating agencies S&P Global Ratings Europe Limited ("**Standard & Poor's**"), Moody's Deutschland GmbH ("**Moody's**"), Fitch Ratings Limited ("**Fitch Ratings**"), and Scope Ratings GmbH ("**Scope Ratings**") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings, Standard & Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ (outlook: stable) from Standard & Poor's, long-term senior debt rating of Aa3 (outlook: stable) from Moody's, long-term issuer default rating of AA- (outlook: stable) from Fitch Ratings and issuer rating of AA- (outlook: stable) from Scope Ratings."

In the section "1. General Information on UBS AG" the table containing the overview of the rating classes is completely replaced as follows:

"

| Standard & Poor's | | Moody's | | Fitch Ratings | | Scope Ratings | |
|--------------------------------------|---|------------------------------|--------------------|---------------------------------|--------------------------|---------------|--|
| Long-Term counterparty credit rating | | Long-Term senior debt rating | | Long-Term Issuer Default Rating | | Issuer Rating | |
| AAA | Extremely strong capacity to meet financial commitments | Aaa | Highest quality | AAA | Highest credit quality | AAA | The safest, most stable and sustainable risk characteristics across the credit spectrum, extremely strong financial and business fundamentals |
| AA+ | Very strong capacity to meet financial commitments | Aa1 | High quality | AA+ | Very high credit quality | AA+ | Very strong and well-rounded business franchises, as well as viable, well-tested and sustainable business models |
| AA | | Aa2 | | AA | | | |
| AA- | | Aa3 | | AA- | | | |
| A+ | Strong capacity to meet its financial commitments | A1 | Upper-medium grade | A+ | High credit quality | A+ | Attractive franchises, although in some instances some areas of activity in the business mix may be less convincing than others, potentially situations of weaker macroeconomic factors affecting some banks' performance, but overall viability is not threatened, as this relative weakness is well mitigated by good financial fundamentals, reliable management and risk-averse strategies |
| A | | A2 | | A | | | |
| A- | | A3 | | A- | | | |
| BBB+ | Adequate capacity to meet its financial commitments | Baa1 | Medium grade | BBB+ | Good credit quality | BBB+ | For some banks in the BBB range, macroeconomic |

| Standard & Poor's | | Moody's | | Fitch Ratings | | Scope Ratings | |
|-------------------|---|--|---|---|--------------------|--|--|
| BBB | | Baa2 | | BBB | | BBB | weakness affects performance, Overall prudential metrics are acceptable and risks are generally well managed and currently under control, Some institutions at the lower end of the BBB range may remain anchored in challenged franchises |
| BBB- | | Baa3 | | BBB- | | BBB- | |
| BB+ | Significant speculative characteristics | Less vulnerable in the near term than other lower-rated obligors | Ba1 | Speculative, subject to substantial credit risk | Speculative | BB+ | A mix of intrinsic weakness of several key risk indicators – asset quality, revenue generation and/or prudential metrics – and stressed macroeconomic factors |
| BB | | | Ba2 | | | BB | |
| BB- | | | Ba3 | | | BB- | |
| B+ | | More vulnerable than the obligors rated 'BB' | B1 | Speculative, subject to high credit risk | Highly speculative | B+ | Generally affected by weak financial and business metrics, likely accompanied by borderline prudential metrics |
| B | | | B2 | | | B | |
| B- | | | B3 | | | B- | |
| CCC+ | Currently vulnerable | Caa1 | Speculative, of poor standing and subject to very high credit risk | Substantial credit risk | CCC | Severely eroded financial metrics, very possibly inadequate prudential indicators, potentially can no longer pursue business activities as a going concern, range may be very close to or already are in resolution, or close to insolvency proceedings for non-resolvable banks | |
| CCC | | Caa2 | | | CC | | |
| CCC- | | Caa3 | | | C | | |
| CC | Currently highly vulnerable | Ca | Highly speculative, likely in, or very near, default with some prospect of recovery of principal and interest | RD | Restricted default | | |
| R | Under regulatory supervision | C | Typically in default, with little prospect for recovery of principal or interest | D | Default | D | Default-like event |
| SD | Selective Default | | | | | | |
| D | Default | | | | | | |

"

In the section "1. General Information on UBS AG" the subsection "Share Capital" is completely replaced by the following text:

"Share Capital

As reflected in its Articles of Association most recently registered with the Commercial Register of Zurich and the Commercial Register of Basel-City, UBS AG has (i) fully paid and issued share capital of CHF 385,840,846.60, divided into 3,858,408,466 registered shares with a par value of CHF 0.10 each (article 4), and (ii) conditional capital in the amount of

CHF 38,000,000, comprising 380,000,000 registered shares with a par value of CHF 0.10 each that can be issued upon the voluntary or mandatory exercise of conversion rights and/or warrants (article 4a)."

In the section "2. Business Overview" the paragraph entitled "Recent Developments" is completely replaced as follows:

"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 2017, 2016 and 2015 from the Annual Report 2017, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2017 and comparative figures for the years ended 31 December 2016 and 2015. The selected consolidated financial information included in the table below for the six months ended 30 June 2018 and 30 June 2017 was derived from the UBS AG second quarter 2018 report, published on 27 July 2018 ("**UBS AG Second Quarter 2018 Report**"), which contains the UBS AG interim consolidated financial statements (unaudited), as well as additional unaudited consolidated financial information, for the six months ended 30 June 2018 and comparative figures for the six months ended 30 June 2017.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and are stated in Swiss francs ("**CHF**"). Information for the years ended 31 December 2017, 2016 and 2015 which is indicated as being unaudited in the table below was included in the Annual Report 2017, 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 2017 (to the extent indicated in the section "L. General Information – 7. Documents incorporated by Reference" of this Base Prospectus) and the UBS AG Second Quarter 2018 Report are incorporated by reference herein.

The section "*Measurement of performance*" of the Annual Report 2017 contains an explanation of the use by UBS Group AG of the information contained under the heading "*Key performance indicators*" in the table below and the definitions of each of these key performance indicators. Refer also to the respective footnotes for information on the definition and the reason for the use of these key performance indicators, except those disclosed in accordance with applicable legislation, and of the metrics under the heading "*Additional information - Profitability*" in the table below.

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:

| CHF million, except where indicated | As of or for the six months ended | | As of or for the year ended | | |
|--|-----------------------------------|---------|---------------------------------|----------|----------|
| | 30.6.18 | 30.6.17 | 31.12.17 | 31.12.16 | 31.12.15 |
| | unaudited | | audited, except where indicated | | |
| Results | | | | | |
| Operating income | 15,464 | 14,958 | 29,479 | 28,421 | 30,605 |
| Operating expenses | 12,128 | 11,876 | 24,481 | 24,352 | 25,198 |
| Operating profit / (loss) before tax | 3,336 | 3,082 | 4,998 | 4,069 | 5,407 |
| Net profit / (loss) attributable to shareholders | 2,553 | 2,354 | 845 | 3,207 | 6,235 |
| Key performance indicators | | | | | |

| Profitability and growth | | | | | |
|---|---------|---------|----------|----------|----------|
| Return on tangible equity (%) ¹ | 11.7 | 10.4 | 2.0* | 6.9* | 13.5* |
| Cost / income ratio (%) ² | 78.2 | 79.2 | 82.7* | 85.6* | 82.0* |
| Net profit growth (%) ³ | 8.5 | 36.6 | (73.7)* | (48.6)* | 78.0* |
| Resources | | | | | |
| Common equity tier 1 capital ratio (%) ^{4,5} | 13.4 | 13.8 | 14.0* | 14.5* | 15.4* |
| Common equity tier 1 leverage ratio (%) ⁶ | 3.73 | 3.78 | 3.7* | 3.7* | 3.6* |
| Going concern leverage ratio (%) ^{7,8} | 4.5 | 4.2 | 4.2* | 4.2* | - |
| Additional information | | | | | |
| Profitability | | | | | |
| Return on equity (%) ⁹ | 10.1 | 9.0 | 1.6* | 5.9* | 11.7* |
| Return on risk-weighted assets, gross (%) ¹⁰ | 12.5 | 13.3 | 12.8* | 13.2* | 14.3* |
| Return on leverage ratio denominator, gross (%) ¹¹ | 3.5 | 3.4 | 3.4* | 3.2* | - |
| Resources | | | | | |
| Total assets | 945,296 | 891,763 | 916,363 | 935,353 | 943,256 |
| Equity attributable to shareholders | 49,961 | 51,735 | 50,718 | 53,662 | 55,248 |
| Common equity tier 1 capital ⁵ | 33,686 | 32,558 | 33,240 | 32,447 | 32,042 |
| Risk-weighted assets ⁵ | 251,648 | 236,552 | 236,606* | 223,232* | 208,186* |
| Going concern capital ratio (%) ⁸ | 16.2 | 15.3 | 15.6* | 16.3* | - |
| Total loss-absorbing capacity ratio (%) ⁸ | 31.7 | 29.7 | 31.4* | 29.6* | - |
| Leverage ratio denominator ¹² | 903,467 | 861,919 | 887,189* | 870,942* | 898,251* |
| Total loss-absorbing capacity leverage ratio (%) ⁸ | 8.8 | 8.1 | 8.4* | 7.6* | - |
| Other | | | | | |
| Invested assets (CHF billion) ¹³ | 3,242 | 2,911 | 3,179 | 2,810 | 2,678 |
| Personnel (full-time equivalents) | 46,597 | 48,476 | 46,009* | 56,208* | 58,131* |

* unaudited

¹ Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. This metric provides information on the profitability of the business in relation to tangible equity.

² Operating expenses / operating income before credit loss (expense) or recovery. This metric provides information on the efficiency of the business by comparing operating expenses with gross income.

³ Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. This metric provides information on profit growth in comparison with prior period.

⁴ Common equity tier 1 capital / risk-weighted assets.

⁵ Based on the Basel III framework as applicable to Swiss systemically relevant banks ("SRB").

⁶ Common equity tier 1 capital / leverage ratio denominator. Calculated in accordance with Swiss SRB rules applicable as of 1 January 2020.

⁷ Total going concern capital / leverage ratio denominator.

⁸ Based on the Swiss SRB rules applicable as of 1 January 2020 that became effective on 1 July 2016. Figures for prior periods are not available.

⁹ Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. This metric provides information on the profitability of the business in relation to equity.

¹⁰ Operating income before credit loss (annualized as applicable) / average fully applied risk-weighted assets. This metric provides information on the revenues of the business in relation to risk-weighted assets.

¹¹ Operating income before credit loss (annualized as applicable) / average fully applied leverage ratio denominator. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. For periods prior to 31 December 2015 the leverage ratio denominator is calculated in accordance with former Swiss SRB rules. Therefore the figure for the period ended on 31 December 2015 is not presented as it is not available on a fully comparable basis. This metric provides information on the revenues of the business in relation to leverage ratio denominator.

¹² From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules.

¹³ Includes invested assets for Personal & Corporate Banking.

2. Accounting, Regulatory and legal developments

Adoption of IFRS 9

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

Swiss Parliament adopts FinSA and FinIA

In June 2018, the Swiss Parliament adopted the Financial Services Act ("**FinSA**") and the Financial Institutions Act ("**FinIA**"). Entry into force of both laws will likely be in January 2020 with various transition periods. FinSA addresses many of the investor protection topics covered in the Markets in Financial Instruments Directive II, Packaged Retail and Insurance-based Investment Products Regulation and the European Union ("**EU**") Prospectus Directive. In particular, FinSA introduces new investor protection rules, including enhanced information and documentation requirements to increase comparability and transparency of financial instruments and financial services provided by Swiss financial service providers, and depending on the circumstances, also by foreign financial service providers when providing financial services in Switzerland or to clients in Switzerland, covering all market segments. FinIA sets out new rules for the FINMA license approval and prudential supervision of financial institutions that are managed in or from Switzerland. UBS has begun preparing for implementation of the new rules ahead of their effective date.

Swiss Federal Council consults on amendments to Anti-Money Laundering Act

In June 2018, the Swiss Federal Council initiated a consultation on amendments to the Anti-Money Laundering Act, aiming to implement the recommendations from the Financial Action Task Force's Mutual Evaluation Report of Switzerland. The consultation proposes changes to enhance due diligence obligations for certain services, beneficial owner verification, and monitoring and reporting of suspicious activities. Implementation of these amendments may require changes to UBS's client onboarding and ongoing compliance processes and may lead to increased costs. The consultation ends in September 2018. The precise effect on UBS depends on the final law, which is subject to parliamentary debate.

Contingency measures to protect the Swiss stock exchange infrastructure

In 2017, Switzerland applied to the European Commission ("**EC**") to have its trading venues recognized as equivalent to EU venues, thereby allowing Swiss institutions access to European markets and allowing EU investment firms to trade shares within Switzerland. Switzerland received a temporary, one-year recognition of equivalence that expires in December 2018. In June 2018, the Swiss Federal Council adopted contingency measures to protect Switzerland's stock exchange infrastructure in the event that the EC does not extend recognition of equivalence at the end of the temporary period. The contingency plan would introduce a new Swiss standard recognizing non-EU foreign trading venues that admit Swiss shares to trading, but disallowing trading in Swiss shares on EU trading venues. If the EC does not extend recognition of Switzerland's stock market equivalence and the Swiss contingency measures come into effect, UBS would be required to significantly alter UBS's trading arrangements.

UK withdrawal from the EU

Although negotiations between the UK and the EU over the transition continue, UBS expects that the UK will leave the EU in March 2019, and that any transition arrangements will be agreed to only relatively 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 commenced the process of seeking regulatory approvals for the merger of UBS Limited, UBS's UK-headquartered subsidiary, into UBS Europe SE, UBS's German-headquartered European bank. UBS expects to complete the merger prior to the UK leaving the EU. Following completion of the merger, UBS expects that UBS Europe SE will become subject to direct supervision by the European Central Bank.

As reported in the Annual Report 2017, certain clients and other counterparties of UBS Limited would become clients or counterparties of UBS Europe SE through the planned merger of the two entities. During the third quarter of 2018, UBS expects to commence a business transfer proceeding in the UK to facilitate the transfer of client business in connection with the merger. UBS also expects to commence German merger proceedings in the same timeframe.

UBS anticipates that clients of UBS Limited who can be serviced by UBS AG, London Branch would generally be migrated to UBS AG, London Branch prior to this merger. In connection with the merger of UBS Limited into UBS Europe SE, some staff will be relocated, although the number of staff and roles have not yet been finally determined. UBS also expects to increase the capitalization of UBS Europe SE, primarily through internal subordinated debt issuance, to reflect the additional activities it would acquire. The timing and extent of the actions UBS takes may vary considerably from its current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.

Developments related to the US financial regulatory framework

In April 2018, the Federal Reserve Board issued a proposal to introduce a bank-specific stress capital buffer ("**SCB**"), replacing the existing capital conservation buffer of 2.5% applicable to firms subject to the Comprehensive Capital Analysis and Review ("**CCAR**") and taking effect in October 2019. The SCB would apply to the CET1 and tier 1 leverage ratios and would be set at the higher of 2.5% or the difference between the starting and minimum projected level of the firm's CET1 capital ratio over the nine-quarter projection period under the supervisory severely adverse scenario. The Federal Reserve Board would no longer separately make quantitative objections to a covered firm's capital plans as any losses projected under the stress test would effectively become an additional minimum capital requirement. UBS Americas Holding LLC, UBS's US intermediate holding company, is expected to be subject to the SCB and to remain a covered firm under the Federal Reserve Board's CCAR program.

Separately, in June 2018, the Federal Reserve Board released the 2018 CCAR results and did not object to UBS Americas Holding LLC's capital plan.

In June 2018, the five agencies that administer the Volcker rule published a proposal to modify the existing regulation that was finalized in 2013. The proposal is intended to simplify and tailor the existing regulations and puts forth a number of revisions to the rule's proprietary trading and covered funds restrictions and questions on potential modifications regarding aspects of the proprietary trading prohibition and covered funds activities and investments. If amended as proposed, the revised rule would require changes to UBS's compliance monitoring activities and may expand the pool of covered transactions that fall under the proposed trading account definition.

BCBS consults on revisions to market risk framework

A consultation on the Basel Committee on Banking Supervision's ("**BCBS**") market risk standard (Fundamental Review of the Trading Book ("**FRTB**")), previously finalized in 2016 but not yet in effect, ended in June 2018. Certain elements of the 2016 FRTB rules are likely to be revised by the BCBS based on the consultation. The probable revisions, while they may provide some relief compared with the 2016 version, would likely continue to lead to an increase in market risk risk-weighted assets as previously highlighted. The final standard is expected to be announced by the end of 2018 and expected to be in effect starting 1 January 2022.

Global cyber security developments

In April 2018, the Swiss Federal Council adopted the National strategy for Switzerland's protection against cyber risks 2018–2022. The financial sector is deemed a critical infrastructure and will be required to implement measures to strengthen its resilience in terms of cybersecurity and further enhance its cooperation with relevant public sector bodies as a result of the national strategy. Also in April 2018, the European Central Bank ("**ECB**")

consulted on its cyber resilience oversight expectations for financial market infrastructures ("FMIIs") and banks. The ECB proposal is based on global guidance by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions and aims to avoid further fragmentation of approaches, but stops short of imposing a single set of standards. In addition, in July 2018, the UK Prudential Regulation Authority and Financial Conduct Authority published a joint discussion paper on an approach to improve the operational resilience of FMIIs that, among other things, envisages that boards and senior management can achieve better standards of operational resilience through increased focus on setting, monitoring and testing specific impact tolerances for key business services. Separately, the BCBS confirmed in its June 2018 update on the 2018–2019 work program that cyber risk and operational resilience remain priorities.

Developments related to the transition away from IBOR

Efforts to transition from the interbank offered rate ("IBOR") benchmarks to alternative benchmark rates are continuing in various jurisdictions, given that they are expected to be phased out after 2021. The working group on euro risk-free rates, led by the ECB, released a consultation in June 2018 aiming to assess the potential advantages and disadvantages of three euro risk-free rates, which could replace the Euro OverNight Index Average (EONIA) as of 2020. 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. The consultation sets out four options for adjustments that would apply to the fallback rate in the event an IBOR is permanently discontinued. UBS has significant contractual rights and obligations referenced to IBOR benchmarks. Discontinuance of, or changes to, benchmark rates as a result of these developments or other initiatives or investigations, as well as uncertainty as to the timing and manner of implementation of such changes or discontinuance, may require adjustments to agreements by UBS, its clients and other market participants, as well as to UBS's systems and processes.

Increase in stake in UBS Securities China

Following the announcement by the China Securities Regulatory Commission that foreign investors will be permitted to increase their ownership percentages in China affiliates to a cap of 51%, and may be allowed to increase their ownership up to 100% in 2021, UBS submitted in May 2018 a preliminary application to increase the shareholding in its China affiliate, UBS Securities Co. Limited ("UBSS"), from 24.99% to 51%. The transaction is subject to completion of a share purchase from existing shareholders and regulatory approval. If UBS acquires majority ownership, it would consolidate its investment in UBSS under IFRS and would be required to remeasure its current 24.99% holding in UBSS at fair value, likely resulting in a loss. The loss should not materially affect UBS's CET1 capital as the loss is expected to be largely offset by the release of a capital deduction for the goodwill included within the initial stake.

Refer to the "Recent developments" section of the UBS Group AG second quarter 2018 report published on 24 July 2018 ("**UBS Group Second Quarter 2018 Report**") and the "*Note 1 Basis of accounting*" and "*Note 19 Transition to IFRS 9 as of 1 January 2018*" to the "*Consolidated financial statements*" section of the UBS AG Second Quarter 2018 Report, as well as to "*IFRS 9, Financial Instruments*" and "*IFRS 15, Revenue from Contracts with Customers*" in the "*Significant accounting and financial reporting changes in 2018*" section of the Annual Report 2017 for further information on key accounting, regulatory and legal developments."

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, and UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its Wealth Management subsidiaries in various European countries into UBS Europe SE. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.

UBS Business Solutions AG, a 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.

Given the continuing uncertainty on transition arrangements between the UK and the EU and the potential future restrictions on providing financial services into the EU from the UK, UBS has commenced the process of seeking regulatory approvals for the merger of UBS Limited into UBS Europe SE, UBS's German-headquartered European bank. During the third quarter of 2018, UBS expects to commence a business transfer proceeding in the UK to facilitate the transfer of client business in connection with the merger. UBS also expects to commence German merger proceedings in the same timeframe. The timing and extent of the actions UBS takes may vary considerably from its current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.

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

UBS continues to consider further changes to the Group's legal structure in response to regulatory requirements and other external developments. Such changes may include further consolidation of operating subsidiaries in the EU, and adjustments to the booking entity or location of products and services. Refer to 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 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 2017, including interests in significant subsidiaries, are discussed in "*Note 28 Interests in subsidiaries and other entities*" to the UBS Group AG's consolidated financial statements included in the Annual Report 2017.

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

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 Group Second Quarter 2018 Report, global economic growth prospects continue to provide a supportive backdrop to markets, although ongoing geopolitical tensions and rising protectionism have dampened investor confidence and remain a threat. UBS continues to expect US dollar interest rates to rise gradually, which, despite margin pressure, is likely to support net interest income in Global Wealth Management. In addition to typical seasonality factors in the third quarter, market volatility remains muted overall, which is usually less conducive to client activity. Funding costs related to long-term debt and capital instruments issued to comply with regulatory funding and liquidity requirements will be higher than in the previous year, but should be broadly stable compared with the second quarter. As in the first half of the year, UBS's diversified business model should help UBS make continued progress towards achieving its strategic and financial targets.

Refer to "Current market climate and industry trends" in the "Operating environment and strategy" section of the Annual Report 2017 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 subsection “Members of the Board of Directors” is completely replaced as follows:

“Members of the Board of Directors

| Member and business address | Title | Term of office | Current principal positions outside UBS AG |
|---|---------------------------|-----------------------|---|
| Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chairman | 2019 | Chairman of the Board of Directors of UBS Group AG; board member of the Swiss Bankers Association; Trustees Board member of Avenir Suisse; Advisory Board member of the "Beirat Zukunft Finanzplatz"; board member of the Swiss Finance Council; Chairman of the board of the Institute of International Finance; board member of the International Monetary Conference; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Panel, Monetary Authority of Singapore; member of the Group of Thirty, Washington, D.C.; Chairman of the Board of Trustees of DIW Berlin; Advisory Board member of the Department of Economics at the University of Zurich; member of the Trilateral Commission. |
| Michel Demaré UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Independent Vice Chairman | 2019 | Independent Vice-Chairman of the Board of Directors of UBS Group AG; board member of Louis-Dreyfus Commodities Holdings BV; board member of Vodafone Group Plc; Vice Chairman of the Supervisory Board of IMD, Lausanne; Advisory Board member of the Department of Banking and Finance at the University of Zurich. |
| David Sidwell UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Member | 2019 | Senior Independent Director of the Board of Directors of UBS Group AG; Senior Advisor at Oliver Wyman, New York; board member of Chubb Limited; board member of GAVI Alliance; Chairman of the Board of Village Care, New York. |
| Jeremy Anderson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Member | 2019 | Member of the Board of Directors of UBS Group AG; trustee at UK Productivity Leadership Group. |
| Reto Francioni UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Member | 2019 | Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG; Chairman of the board of Swiss International Air Lines AG; board member of Francioni AG; board member of MedTech Innovation Partners AG. |
| Ann F. Godbehere UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Member | 2019 | Member of the Board of Directors of UBS Group AG; board member of Rio Tinto plc (chairman of the audit committee); board member of Rio Tinto Limited (chairman of the audit committee); board member of Royal Dutch Shell plc. |
| Fred Hu | Member | 2019 | Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings; board member of Hong Kong |

| | | | |
|---|--------|------|--|
| UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | | | Exchanges and Clearing Ltd.; chairman of Primavera Capital Limited; non-executive director of Dalian Wanda Commercial Properties Co Ltd.; board member of China Asset Management; board member of Minsheng Financial Leasing Co.; trustee of the China Medical Board; Governor of the Chinese International School; co-chairman of the Nature Conservancy's Asia Pacific Council; director and member of the Executive Committee of China Venture Capital and Private Equity Association Ltd.; Global Advisory Board member of the Council on Foreign Relations. |
| Julie G. Richardson UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Member | 2019 | Member of the Board of Directors of UBS Group AG; board member of The Hartford Financial Services Group, Inc. (chairman of the audit committee); board member of Yext (chairman of the audit committee); board member of Vereit, Inc. (chairman of the compensation committee). |
| Isabelle Romy Froiep Legal AG, Bellerivestrasse 201, CH-8034 Zurich | Member | 2019 | Member of the Board of Directors of UBS Group AG; partner and board member at Froiep Legal AG, Zurich; associate professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; vice chairman of the Sanction Commission of SIX Swiss Exchange; member of the Fundraising Committee of the Swiss National Committee for UNICEF; Supervisory Board member of the CAS program Financial Regulation of the University of Bern and University of Geneva. |
| Robert W. Scully UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Member | 2019 | Member of the Board of Directors of UBS Group AG; board member of Chubb Limited; board member of Zoetis Inc.; board member of KKR & Co LP; board member of the Dean's Advisors of Harvard Business School. |
| Beatrice Weder di Mauro Johannes Gutenberg-University Mainz, Jakob Welter-Weg 4, D-55099 Mainz | Member | 2019 | Member of the Board of Directors of UBS Group AG; distinguished fellow at INSEAD in Singapore; Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH Zurich Foundation Board of Trustees. |
| Dieter Wemmer UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Member | 2019 | Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S; member of the CFO Forum; member of the Systemic Risk Working Group of the European Central Bank and the Bank for International Settlements; member of the Berlin Center of Corporate Governance. |

"

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

"Members of the Executive Board"

| Member and business address | Function | Current principal positions outside UBS AG |
|--|---------------------------------------|--|
| Sergio P. Ermotti UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | President of the Executive Board | Member of the Group Executive Board and Group Chief Executive Officer of UBS Group AG; board member of UBS Switzerland AG; Chairman of the Board of Directors of UBS Business Solutions AG; Chairman of the UBS Optimus Foundation board; Chairman of the Fondazione Ermotti, Lugano; Chairman and President of the board of the Swiss-American Chamber of Commerce; board member of the Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires; member of the Said Business School Global Leadership Council, University of Oxford. |
| Martin Blessing UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | co-President Global Wealth Management | Member of the Group Executive Board and co-President Global Wealth Management of UBS Group AG; member of the Executive Board of Baden-Baden Entrepreneur Talks. |
| Christian Bluhm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chief Risk Officer | Member of the Group Executive Board and Group Chief Risk Officer of UBS Group AG; board member of UBS Business Solutions AG; board member of UBS Switzerland AG. |
| Markus U. Diethelm | General Counsel | Member of the Group Executive Board and Group General Counsel of UBS Group AG; board member of UBS Business Solutions AG; Chairman of the Swiss-American Chamber of Commerce's legal committee; Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the Foundation Council of the UBS International Center of Economics |

| | | |
|---|---|--|
| UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | | in Society; member of the Professional Ethics Commission of the Association of Swiss Corporate Lawyers; member of the Supervisory Board of the Fonds de Dotation LUMA / Arles. |
| Kirt Gardner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chief Financial Officer | Member of the Group Executive Board and Group Chief Financial Officer of UBS Group AG; board member of UBS Business Solutions AG. |
| Sabine Keller-Busse UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | Chief Operating Officer | Member of the Group Executive Board and Group Chief Operating Officer of UBS Group AG; board member of UBS Business Solutions AG; vice-chairman of the Board of Directors of SIX Group (Chairman of the nomination & compensation committee); Foundation Board member of the UBS Pension Fund; Foundation Board member of the University Hospital Zurich. |
| Ulrich Körner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | President Asset Management and President UBS Europe, Middle East and Africa | Member of the Group Executive Board, President Asset Management and President UBS Europe, Middle East and Africa at UBS Group AG; member of the Supervisory Board of UBS Europe SE; Chairman of the Foundation Board of the UBS Pension Fund; Chairman of the Widder Hotel AG, Zurich; member of the UBS Optimus Foundation Board; Vice President of the board of Lyceum Alpinum Zuoz; member of the Financial Service Chapter Board of the Swiss-American Chamber of Commerce; Advisory Board member of the Department of Banking and Finance at the University of Zurich; member of the business advisory council of the Laureus Foundation Switzerland. |
| Tom Naratil UBS AG, 1200 Harbor Boulevard, Weehawken, NJ 07086 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; board member of the Clearing House Supervisory Board; member of the Board of Consultants for the College of Nursing at Villanova University. |
| Andrea Orcel UBS AG, Bahnhofstrasse 45, CH-8001 Zurich | President Investment Bank | Member of the Group Executive Board and President Investment Bank at UBS Group AG; board member of UBS Limited; board member of UBS Americas Holding LLC. |
| Kathryn Shih UBS AG, 2 International Finance Centre, 8 Finance Street, Central, Hong Kong | President UBS Asia Pacific | Member of the Group Executive Board of UBS Group AG and President UBS Asia Pacific; board member of Kenford International Ltd.; board member of Shih Co Charitable Foundation Ltd.; member of the Hong Kong Trade Development Council (Financial Services Advisory Committee). |

“

In the section “7. Financial Information concerning the Issuer’s Assets and Liabilities, Financial Position and Profits and Losses” the subsection “Interim Financial Information” is completely replaced as follows:

“Interim Financial Information

Reference is also made to (i) the UBS Group AG first quarter 2018 report published on 23 April 2018 (“**UBS Group First Quarter 2018 Report**”) and the UBS AG first quarter 2018 report, published on 27 April 2018 (“**UBS AG First Quarter 2018 Report**”), which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 31 March 2018, and to (ii) the UBS Group Second Quarter 2018 Report and the UBS AG Second Quarter 2018 Report, which contain information on the financial condition and results of operations, including the interim financial statements, of UBS Group AG consolidated and UBS AG consolidated, respectively, as of and for the period ended 30 June 2018. The interim consolidated financial statements are not audited and no audit review report is produced.”

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.

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 14a Provisions" of the UBS AG's interim consolidated financial statements included in the UBS AG Second Quarter 2018 Report. It is not practicable to provide an aggregate estimate of liability for UBS's litigation, regulatory and similar matters as a class of contingent liabilities. Doing so would require UBS to provide speculative legal assessments as to claims and proceedings that involve unique fact patterns or novel legal theories, that have not yet been initiated or are at early stages of adjudication, or as to which alleged damages

have not been quantified by the claimants. Although it therefore cannot provide a numerical estimate of the future losses that could arise from litigation, regulatory and similar matters, UBS believes that the aggregate amount of possible future losses from this class that are more than remote substantially exceeds the level of current provisions. Litigation, regulatory and similar matters may also result in non-monetary penalties and consequences. For example, the Non-Prosecution Agreement (“**NPA**”) described in item 5 of this section, which UBS entered into with the US Department of Justice (“**DOJ**”), Criminal Division, Fraud Section in connection with UBS’s submissions of benchmark interest rates, including, among others, the British Bankers’ Association London Interbank Offered Rate (“**LIBOR**”), was terminated by the DOJ based on its determination that UBS had committed a US crime in relation to foreign exchange matters. As a consequence, UBS AG pleaded guilty to one count of wire fraud for conduct in the LIBOR matter, paid a fine and is subject to probation through January 2020. A guilty plea to, or conviction of, a crime could have material consequences for UBS. Resolution of regulatory proceedings may require UBS to obtain waivers of regulatory disqualifications to maintain certain operations, may entitle regulatory authorities to limit, suspend or terminate licenses and regulatory authorizations and may permit financial market utilities to limit, suspend or terminate UBS’s participation in such utilities. Failure to obtain such waivers, or any limitation, suspension or termination of licenses, authorizations or participations, could have material consequences for UBS.

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

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

| <i>CHF million</i> | Global Wealth Manage- ment | Personal & Corporate Banking | Asset Manage- ment | Investment Bank | CC – Services | CC – Group ALM | CC – Non- core and Legacy Portfolio | UBS |
|---|---|---|-----------------------------------|----------------------------|--------------------------|-------------------------------|--|--------------|
| Balance as of 31 December 2017 | 555 | 79 | 1 | 345 | 240 | 0 | 1,224 | 2,444 |
| Balance as of 31 March 2018 | 546 | 79 | 1 | 323 | 216 | 0 | 1,166 | 2,331 |
| Increase in provisions recognized in the income statement | 69 | 0 | 0 | 3 | 1 | 0 | 82 | 154 |
| Release of provisions recognized in the income statement | (12) | 0 | 0 | 0 | 0 | 0 | 0 | (13) |
| Provisions used in conformity with designated purpose | (47) | (3) | 0 | (1) | 0 | 0 | (42) | (94) |
| Foreign currency translation / unwind of discount | 11 | 0 | 0 | 9 | 0 | 0 | 45 | 64 |
| Balance as of 30 June 2018 | 567 | 75 | 0 | 333 | 216 | 0 | 1,251 | 2,442 |

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

1. Inquiries regarding cross-border wealth management businesses

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

clients booked in Switzerland during their investigations and have apparently shared this data with other European countries. UBS expects additional countries to file similar requests.

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

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

In February 2016, the investigating judges notified UBS AG and UBS (France) S.A. that they have closed their investigation. In July 2016, UBS AG and UBS (France) S.A. received the National Financial Prosecutor's recommendation ("*réquisitoire*"). In March 2017, the investigating judges issued the trial order ("*ordonnance de renvoi*") that charges UBS AG and UBS (France) S.A., as well as various former employees, with illicit solicitation of clients on French territory and with participation in the laundering of the proceeds of tax fraud, and that transfers the case to court. The trial is scheduled to start in October 2018. In October 2017, the Investigation Chamber of the Court of Appeals decided that UBS (France) S.A. shall not be constituted as a civil party in the guilty plea proceedings against the former UBS (France) S.A. Head of Front Office. UBS (France) S.A. has appealed this decision to the French Supreme Court ("*Cour de cassation*"). The appeal is pending, although the criminal court subsequently found the individual's guilty plea to be invalid.

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

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

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

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

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

UBS RESI also sold pools of loans acquired from originators to third-party purchasers. These whole loan sales during the period 2004 through 2007 totalled approximately USD 19 billion in original principal balance.

UBS was not a significant originator of US residential loans. A branch of UBS originated approximately USD 1.5 billion in US residential mortgage loans during the period in which it was active from 2006 to 2008, and securitized less than half of these loans.

Lawsuits related to contractual representations and warranties concerning mortgages and RMBS: When UBS acted as an RMBS sponsor or mortgage seller, it generally made certain representations relating to the characteristics of the underlying loans. In the event of a material breach of these representations, UBS was in certain circumstances contractually obligated to repurchase the loans to which the representations related or to indemnify certain parties against losses. In 2012, certain RMBS trusts filed an action ("**Trustee Suit**") in the US District Court for the Southern District of New York ("**SDNY**") seeking to enforce UBS RESI's obligation to repurchase loans in the collateral pools for three RMBS securitizations issued and underwritten by UBS with an original principal balance of approximately USD 2 billion. Approximately 9,000 loans were at issue in a bench trial in the SDNY in 2016, following which the court issued an order ruling on numerous legal and factual issues and applying those rulings to 20 exemplar loans. The court further ordered that a lead master be appointed to apply the court's rulings to the remaining loans. In 2017, UBS and certain holders of the RMBS in the Trustee Suit entered into an agreement under which UBS would have paid an aggregate of USD 543 million into the relevant RMBS trusts, plus certain attorneys' fees. The trustee for the RMBS trusts declined to become a party to the settlement and the agreement with the RMBS holders therefore lapsed. In July 2018, UBS and the trustee entered into an agreement under which UBS will pay USD 850 million to resolve this matter. A significant portion of this amount will be borne by other parties that indemnified UBS. The settlement remains subject to approval by the court and proceedings to determine how the settlement funds will be distributed to RMBS holders. After giving effect to this settlement, UBS considers claims relating to substantially all loan repurchase demands to be resolved, and believes that new demands to repurchase US residential mortgage loans are time-barred under a decision rendered by the New York Court of Appeals.

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

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

3. Madoff

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

In 2009 and 2010, the liquidators of the two Luxembourg funds filed claims against UBS entities, non-UBS entities and certain individuals, including current and former UBS

employees, seeking amounts aggregating approximately EUR 2.1 billion, which includes amounts that the funds may be held liable to pay the trustee for the liquidation of BMIS ("**BMIS Trustee**").

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

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

4. Puerto Rico

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds ("**funds**") that are sole-managed and co-managed by UBS Trust Company of Puerto Rico and distributed by UBS Financial Services Incorporated of Puerto Rico ("**UBS PR**") have led to multiple regulatory inquiries, as well as customer complaints and arbitrations with aggregate claimed damages of USD 2.6 billion, of which claims with aggregate claimed damages of USD 1.6 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims are filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied.

Defendants' requests for permission to appeal that ruling were denied by the Puerto Rico Court of Appeals and the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. In 2016, defendants' motion to dismiss was granted in part and denied in part. In 2015, a class action was filed in Puerto Rico state court against UBS PR seeking equitable relief in the form of a stay of any effort by UBS PR to collect on non-purpose loans it acquired from UBS Bank USA in December 2013 based on plaintiffs' allegation that the loans are not valid. The trial court denied defendant's motion for summary judgment based on a forum selection clause in the loan agreements. The Puerto Rico Supreme Court reversed that decision and remanded the case back to the trial court for reconsideration. On reconsideration the trial court granted defendant's motion and dismissed the action.

In 2014, UBS reached a settlement with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico ("**OCFI**") in connection with OCFI's examination of UBS's operations from January 2006 through September 2013, pursuant to which UBS is paying up to an aggregate of USD 7.7 million in investor education contributions and restitution.

In 2015, the SEC and the Financial Industry Regulatory Authority ("**FINRA**") announced settlements with UBS PR of their separate investigations stemming from the 2013 market events. Without admitting or denying the findings in either matter, UBS PR agreed in the SEC settlement to pay USD 15 million and USD 18.5 million in the FINRA matter. UBS also understands that the DOJ is conducting a criminal inquiry into the impermissible reinvestment of non-purpose loan proceeds. UBS is cooperating with the authorities in this inquiry.

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

Beginning in 2015, and continuing through 2017, certain agencies and public corporations of the Commonwealth of Puerto Rico ("**Commonwealth**") defaulted on certain interest payments on Puerto Rico bonds. The funds hold significant amounts of those bonds and the defaults on interest payments have had, and are expected to continue to have, an adverse effect on dividends from the funds. Executive orders of the Governor of Puerto Rico that have diverted funds to pay for essential services instead of debt payments and stayed any action to enforce creditors' rights on the Puerto Rico bonds continue to be in effect. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge. These events, further defaults, any further legislative action to create a legal means of restructuring Commonwealth obligations or to impose additional oversight on the Commonwealth's finances, or any restructuring of the Commonwealth's obligations may increase the number of claims against UBS concerning Puerto Rico securities, as well as potential damages sought.

UBS's balance sheet at 30 June 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: Following an initial media report in 2013 of widespread irregularities in the foreign exchange markets, UBS immediately commenced an internal review of its foreign exchange business, which includes UBS's precious metals and related structured products businesses. Numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority ("**FCA**") and the US Commodity Futures Trading Commission ("**CFTC**") in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System ("**Federal Reserve Board**") and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties against UBS AG. In addition, the DOJ's Criminal Division ("**Criminal Division**") terminated the 2012 Non-Prosecution Agreement ("**NPA**") with UBS AG related to UBS's submissions of benchmark interest rates and UBS AG pleaded guilty to one count of wire fraud, paid a fine and is subject to probation through January 2020. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ ("**Antitrust Division**") and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange and precious metals matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. They allege collusion by the defendants and assert claims under the antitrust laws and for unjust enrichment. In 2015, additional putative class actions were filed

in federal court in New York against UBS and other banks on behalf of a putative class of persons who entered into or held any foreign exchange futures contracts and options on foreign exchange futures contracts since 2003. The complaints assert claims under the Commodity Exchange Act ("**CEA**") and the US antitrust laws. In 2015, a consolidated complaint was filed on behalf of both putative classes of persons covered by the US federal court class actions described above. UBS has entered into a settlement agreement that would resolve all of these US federal court class actions. The settlement agreement, which has been preliminarily approved by the court and is subject to final court approval, requires, among other things, that UBS pay an aggregate of USD 141 million and provide cooperation to the settlement classes.

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

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 their co-conspirators for their own end use. In March 2017, the court granted UBS's (and the other banks') motions to dismiss the complaint. The plaintiffs filed an amended complaint in August 2017. In March 2018, the court denied the defendants' motions to dismiss the amended complaint.

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

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

Putative class actions are also pending 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 assert claims under the antitrust laws and the CEA, and other claims. In 2016, the court in New York granted UBS's motions to dismiss the putative class actions relating to gold and silver. Plaintiffs in those cases sought to amend their complaints to add new allegations about UBS, which the court granted. The plaintiffs filed amended complaints in 2017, and motions to dismiss the amended complaints are pending. In March 2017, the court in New York granted UBS's motion to dismiss the platinum and palladium action. In May 2017, plaintiffs in the platinum and palladium action filed an amended complaint that did not allege claims against UBS.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office ("**SFO**"), the Monetary Authority of Singapore ("**MAS**"), the Hong Kong Monetary Authority ("**HKMA**"), FINMA, various state attorneys general in the US and competition authorities in various jurisdictions, have conducted or are continuing to conduct investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. In 2012, UBS reached settlements relating to benchmark interest rates with the FSA, the CFTC and the Criminal Division of the DOJ, and FINMA issued an order in its proceedings with respect to UBS relating to benchmark interest rates. In addition, UBS entered into settlements with the European Commission (EC) and with the Swiss

Competition Commission ("**WEKO**") regarding its investigation of bid-ask spreads in connection with Swiss franc interest rate derivatives. UBS has ongoing obligations to cooperate with the authorities with whom UBS has reached resolutions and to undertake certain remediation measures with respect to benchmark interest rate submissions. UBS has been granted conditional leniency or conditional immunity from authorities in certain jurisdictions, including the Antitrust Division of the DOJ and WEKO, in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity. Investigations by certain governmental authorities remain ongoing notwithstanding these resolutions.

LIBOR and other benchmark-related civil litigation: A number of putative class actions and other actions are pending in the federal courts in New York against UBS and numerous other banks on behalf of parties who transacted in certain interest rate benchmark-based derivatives. Also pending in the US and in other jurisdictions are a number of other actions asserting losses related to various products whose interest rates were linked to LIBOR and other benchmarks, including adjustable rate mortgages, preferred and debt securities, bonds pledged as collateral, loans, depository accounts, investments and other interest-bearing instruments. The complaints allege manipulation, through various means, of certain benchmark interest rates, including USD LIBOR, Euroyen TIBOR, Yen LIBOR, EURIBOR, CHF LIBOR, GBP LIBOR, USD and SGD SIBOR and SOR, Australian BBSW and USD ISDAFIX, and seek unspecified compensatory and other damages under varying legal theories.

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

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

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

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

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

6. Swiss retrocessions

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

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

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

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

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

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

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 "*Note 14 Provisions and contingent liabilities*" to UBS AG interim consolidated financial statements included in the UBS AG Second Quarter 2018 Report. The proceedings indicated below are matters that have recently been considered material, but are not currently considered material, by UBS. Besides the proceedings described above and 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.

Banco UBS Pactual tax indemnity: Pursuant to the 2009 sale of Banco UBS Pactual S.A. ("**Pactual**") by UBS to BTG Investments, LP ("**BTG**"), BTG has submitted contractual indemnification claims. The claims pertain principally to several tax assessments issued by the Brazilian tax authorities against Pactual relating to the period from December 2006 through March 2009, when UBS owned Pactual. These assessments are being challenged in administrative and judicial proceedings. In August 2017, UBS and BTG agreed to resolve the largest indemnification claim (UBS's portion of which was approximately BRL 2 billion) relating to a tax assessment that had disallowed goodwill amortization deductions. In connection with this resolution, UBS paid CHF 245 million to BTG, which then submitted the underlying tax assessment for resolution in a Brazilian tax amnesty program. In early 2018, the decision in favour of BTG on the largest remaining exposure (BRL 461 million) became final, leaving approximately BRL 278 million in remaining assessments subject to indemnification claims, all pending at various levels of the administrative or judicial court system.

Wealth management cross-border TEFRA inquiries: In 2015, UBS received inquiries from the US Attorney's Office for the Eastern District of New York ("**USAO EDNY**") and from the SEC, which were investigating potential sales to US persons of bearer bonds and other unregistered securities in possible violation of the Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**") and the registration requirements of the US securities laws. UBS cooperated with the authorities in these investigations. In 2018, UBS was informed by the USAO EDNY and the SEC that they have closed their investigations and that they will not take any action.

Puerto Rico 2012 claims: Beginning in 2012, two federal class action complaints, which were subsequently consolidated, were filed against various UBS entities, certain closed-end funds and certain members of UBS PR senior management, seeking damages for investor losses in the funds during the period from January 2008 through May 2012. In 2016, the court denied plaintiffs' motion for class certification. In March 2017, the US Court of Appeals for the First Circuit denied plaintiffs' petition seeking permission to bring an interlocutory appeal challenging the denial of their motion for class certification. In August 2017 the district court dismissed the case.

Other mortgage-related regulatory matters: UBS also received and responded to subpoenas from the New York State Attorney General ("**NYAG**") and other state attorneys general relating to UBS's RMBS business. In March 2018, UBS and the NYAG reached an agreement to resolve the NYAG's investigation, whereby UBS will pay USD 41 million and provide consumer relief in a stated amount of USD 189 million calculated as set forth in the settlement agreement.

BMIS customers' claims in the US: In 2014, several claims, including a purported class action, were filed in the US by BMIS customers against UBS entities, asserting claims similar to those made by the BMIS Trustee described in item (3) - Madoff above, and seeking unspecified damages. These claims have either been voluntarily withdrawn or dismissed on the basis that the courts did not have jurisdiction to hear the claims against the UBS entities. In 2016, the plaintiff in one of those claims appealed the dismissal. In February 2018, the United States Court of Appeals for the Second Circuit affirmed the dismissal of the plaintiff's claim.

CFTC precious metals investigations: within the context of the investigations by authorities described in item (5) - Foreign exchange-related regulatory matters above, UBS reached in January 2018 a settlement with the CFTC in connection with the CFTC's precious metals investigations. As part of that settlement, UBS paid a USD 15 million civil monetary penalty."

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

"There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 30 June 2018, which is the end of the last financial period for which financial information has been published."

In the section "L. GENERAL INFORMATION" in the subsection "7. Documents incorporated by Reference" a new paragraph (g) is inserted and the numbering of the successive paragraphs is adjusted accordingly. Consequently, the subsection 7. reads 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 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);
- (b) 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);
- (c) 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);
- (d) 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);
- (e) the annual report of UBS Group AG and UBS AG as of 31 December 2015 (other than the section "(1) Operating environment and strategy - Risk factors" on pages 59 to 74 (including)), comprising the introductory section, as well as the sections (1) Operating environment and strategy (other than the section "Risk factors" on pages 59 to 74 (including)), (2) Financial and operating performance, (3) Risk, treasury and capital management, (4) Corporate governance, responsibility and compensation, (5) Consolidated financial statements (including the "Report of the statutory auditor and the independent registered public accounting firm on the consolidated financial statements"), (6) Legal entity financial and regulatory information (including the "Report of the statutory auditor on the financial statements"), (7) Additional

regulatory information, and the Appendix (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting/2015.html);

- (f) the UBS Group First Quarter 2018 Report and the UBS AG First Quarter 2018 Report (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2018.html);
- (g) the UBS Group Second Quarter 2018 Report and the UBS AG Second Quarter 2018 Report (published on the UBS website, at https://www.ubs.com/global/en/about_ubs/investor_relations/quarterly_reporting/2018.html);
- (h) 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/base-prospectus>);
- (i) 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/base-prospectus>);
- (j) 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/base-prospectus>);
- (k) 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/base-prospectus>), and
- (l) 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/base-prospectus>).

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 1 March 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. | <p>Trend Information</p> <p>As indicated in the UBS Group Second Quarter 2018 Report, global economic growth prospects continue to provide a supportive backdrop to markets, although ongoing geopolitical tensions and rising protectionism have dampened investor confidence and remain a threat. UBS continues to expect US dollar interest rates to rise gradually, which, despite margin pressure, is likely to support net interest income in Global Wealth Management. In addition to typical seasonality factors in the third quarter, market volatility remains muted overall, which is usually less conducive to client activity. Funding costs related to long-term debt and capital instruments issued to comply with regulatory funding and liquidity requirements will be higher than in the previous year, but should be broadly stable compared with the second quarter. As in the first half of the year, UBS's diversified business model should help UBS make continued progress towards achieving its strategic and financial targets.</p> |
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Element B.5 is completely replaced as follows:

| | | |
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| B.5 | Description of the group and the issuer's position within the group. | <p>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.</p> <p>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.</p> <p>In 2015, UBS AG transferred its Personal & Corporate Banking and Wealth Management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland, and UBS implemented a more self-sufficient business and operating model for UBS Limited, UBS's investment banking subsidiary in the UK. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its Wealth Management subsidiaries in various European countries into UBS Europe SE. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG.</p> <p>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.</p> <p>Given the continuing uncertainty on transition arrangements between the UK and the EU and the potential future restrictions on providing financial services into the EU from the UK, UBS has commenced the process of</p> |
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| | | <p>seeking regulatory approvals for the merger of UBS Limited into UBS Europe SE, UBS's German-headquartered European bank. During the third quarter of 2018, UBS expects to commence a business transfer proceeding in the UK to facilitate the transfer of client business in connection with the merger. UBS also expects to commence German merger proceedings in the same timeframe. The timing and extent of the actions UBS takes may vary considerably from its current plan depending on regulatory requirements and the nature of any transition or successor agreements between the UK and the EU.</p> <p>Following the announcement by the China Securities Regulatory Commission that foreign investors will be permitted to increase their ownership percentages in China affiliates to a cap of 51%, and may be allowed to increase their ownership up to 100% in 2021, UBS submitted in May 2018 a preliminary application to increase the shareholding in its China affiliate, UBS Securities Co. Limited, from 24.99% to 51%. The transaction is subject to completion of a share purchase from existing shareholders and regulatory approval.</p> <p>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.</p> |
|--|--|--|

Element B.12 is completely replaced as follows:

| | | | | | | |
|--|--|---|-----------------------------|--|----------|----------|
| B.12 | Selected historical key financial information / Material adverse change statement / Significant changes statement. | <p>UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2017, 2016 and 2015 from the Annual Report 2017, which contains the audited consolidated financial statements of UBS AG, as well as additional unaudited consolidated financial information, for the year ended 31 December 2017 and comparative figures for the years ended 31 December 2016 and 2015. The selected consolidated financial information included in the table below for the six months ended 30 June 2018 and 30 June 2017 was derived from the UBS AG Second Quarter 2018 Report, which contains the UBS AG interim consolidated financial statements (unaudited), as well as additional unaudited consolidated financial information, for the six months ended 30 June 2018 and comparative figures for the six months ended 30 June 2017.</p> <p>The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and are stated in Swiss francs ("CHF"). Information for the years ended 31 December 2017, 2016 and 2015 which is indicated as being unaudited in the table below was included in the Annual Report 2017, 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.</p> <p>For information on the definition and the reason for the use of the metrics under the heading "<i>Key performance indicators</i>", except those disclosed in accordance with applicable legislation, and "<i>Additional information - Profitability</i>" in the table below, please refer to the respective footnotes.</p> | | | | |
| | | As of or for the six months ended | As of or for the year ended | | | |
| <i>CHF million, except where indicated</i> | | 30.6.18 | 30.6.17 | 31.12.17 | 31.12.16 | 31.12.15 |
| | | <i>unaudited</i> | | <i>audited, except where indicated</i> | | |

| Results | | | | | |
|---|---------|---------|----------|----------|----------|
| Operating income | 15,464 | 14,958 | 29,479 | 28,421 | 30,605 |
| Operating expenses | 12,128 | 11,876 | 24,481 | 24,352 | 25,198 |
| Operating profit / (loss) before tax | 3,336 | 3,082 | 4,998 | 4,069 | 5,407 |
| Net profit / (loss) attributable to shareholders | 2,553 | 2,354 | 845 | 3,207 | 6,235 |
| Key performance indicators | | | | | |
| Profitability and growth | | | | | |
| Return on tangible equity (%) ¹ | 11.7 | 10.4 | 2.0* | 6.9* | 13.5* |
| Cost / income ratio (%) ² | 78.2 | 79.2 | 82.7* | 85.6* | 82.0* |
| Net profit growth (%) ³ | 8.5 | 36.6 | (73.7)* | (48.6)* | 78.0* |
| Resources | | | | | |
| Common equity tier 1 capital ratio (%) ^{4,5} | 13.4 | 13.8 | 14.0* | 14.5* | 15.4* |
| Common equity tier 1 leverage ratio (%) ⁶ | 3.73 | 3.78 | 3.7* | 3.7* | 3.6* |
| Going concern leverage ratio (%) ^{7,8} | 4.5 | 4.2 | 4.2* | 4.2* | - |
| Additional information | | | | | |
| Profitability | | | | | |
| Return on equity (%) ⁹ | 10.1 | 9.0 | 1.6* | 5.9* | 11.7* |
| Return on risk-weighted assets, gross (%) ¹⁰ | 12.5 | 13.3 | 12.8* | 13.2* | 14.3* |
| Return on leverage ratio denominator, gross (%) ¹¹ | 3.5 | 3.4 | 3.4* | 3.2* | - |
| Resources | | | | | |
| Total assets | 945,296 | 891,763 | 916,363 | 935,353 | 943,256 |
| Equity attributable to shareholders | 49,961 | 51,735 | 50,718 | 53,662 | 55,248 |
| Common equity tier 1 capital ⁵ | 33,686 | 32,558 | 33,240 | 32,447 | 32,042 |
| Risk-weighted assets ⁵ | 251,648 | 236,552 | 236,606* | 223,232* | 208,186* |
| Going concern capital ratio (%) ⁸ | 16.2 | 15.3 | 15.6* | 16.3* | - |
| Total loss-absorbing capacity ratio (%) ⁸ | 31.7 | 29.7 | 31.4* | 29.6* | - |
| Leverage ratio denominator ¹² | 903,467 | 861,919 | 887,189* | 870,942* | 898,251* |
| Total loss-absorbing capacity leverage ratio (%) ⁸ | 8.8 | 8.1 | 8.4* | 7.6* | - |
| Other | | | | | |
| Invested assets (CHF billion) ¹³ | 3,242 | 2,911 | 3,179 | 2,810 | 2,678 |
| Personnel (full-time equivalents) | 46,597 | 48,476 | 46,009* | 56,208* | 58,131* |

* unaudited

¹ Net profit attributable to shareholders before amortization and impairment of goodwill and intangible assets (annualized as applicable) / average equity attributable to shareholders less average goodwill and intangible assets. This metric provides information on the profitability of the business in relation to tangible equity.

² Operating expenses / operating income before credit loss (expense) or recovery. This metric provides information on the efficiency of the business by comparing operating expenses with gross income.

³ Change in net profit attributable to shareholders from continuing operations between current and comparison periods / net profit attributable to shareholders from continuing operations of comparison period. This metric provides information on profit growth in comparison with prior period.

⁴ Common equity tier 1 capital / risk-weighted assets.

⁵ Based on the Basel III framework as applicable to Swiss systemically relevant banks ("SRB").

⁶ Common equity tier 1 capital / leverage ratio denominator. Calculated in accordance with Swiss SRB rules applicable as of 1 January 2020.

⁷ Total going concern capital / leverage ratio denominator.

⁸ Based on the Swiss SRB rules applicable as of 1 January 2020 that became effective on 1 July 2016. Figures for prior periods are not available.

⁹ Net profit attributable to shareholders (annualized as applicable) / average equity attributable to shareholders. This metric provides information on the profitability of the business in relation to equity.

¹⁰ Operating income before credit loss (annualized as applicable) / average fully applied risk-weighted assets. This metric provides information on the revenues of the business in relation to risk-weighted assets.

¹¹ Operating income before credit loss (annualized as applicable) / average fully applied leverage ratio denominator. From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules. For periods prior to 31 December 2015 the

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|--|---|
| <p>leverage ratio denominator is calculated in accordance with former Swiss SRB rules. Therefore the figure for the period ended on 31 December 2015 is not presented as it is not available on a fully comparable basis. This metric provides information on the revenues of the business in relation to leverage ratio denominator.</p> <p>¹² From 31 December 2015 onward, the leverage ratio denominator calculation is aligned with the Basel III rules.</p> <p>¹³ Includes invested assets for Personal & Corporate Banking.</p> | |
| Material adverse change statement. | There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2017. |
| Significant changes statement. | There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 30 June 2018, which is the end of the last financial period for which financial information has been published. |

In Element B.17 the first paragraph is replaced completely. Consequently, Element B.17 reads as follows:

| | | |
|-------------|--|--|
| B.17 | <p>Credit ratings assigned to the issuer or its debt securities.</p> | <p>The rating agencies S&P Global Ratings Europe Limited ("Standard & Poor's"), Moody's Deutschland GmbH ("Moody's"), Fitch Ratings Limited ("Fitch Ratings"), and Scope Ratings GmbH ("Scope Ratings") have published solicited credit ratings reflecting their assessment of the creditworthiness of UBS AG, i.e. its ability to fulfil in a timely manner payment obligations, such as principal or interest payments on long-term loans, also known as debt servicing. The ratings from Fitch Ratings, Standard & Poor's and Scope Ratings may be attributed a plus or minus sign, and those from Moody's a number. These supplementary attributes indicate the relative position within the respective rating class. UBS AG has a long-term counterparty credit rating of A+ (outlook: stable) from Standard & Poor's, long-term senior debt rating of Aa3 (outlook: stable) from Moody's, long-term issuer default rating of AA- (outlook: stable) from Fitch Ratings and issuer rating of AA- (outlook: stable) from Scope Ratings.</p> <p>All the above-mentioned rating agencies are registered as credit rating agencies under Regulation (EC) No 1060/2009 as amended by Regulation (EU) No 513/2011.</p> <p>The Securities have [not] been rated [[insert rating] by [insert rating agency]].</p> |
|-------------|--|--|

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

In Element D.2 an additional risk is added at the end of the list of bullet points. Consequently, Element D.2 reads as follows:

| | | |
|------------|--|--|
| D.2 | <p>Key information on the key risks that is specific and individual to the issuer.</p> | <p>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.</p> <p>General insolvency risk</p> <p>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</p> |
|------------|--|--|

| | | |
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| | | <p>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.</p> <p>UBS AG as Issuer and UBS are subject to various risks relating to their business activities. Summarised below are the risks that may impact the Group's ability to execute its strategy, and affect its business activities, financial condition, results of operations and prospects, which the Group considers material and is presently aware of:</p> <ul style="list-style-type: none"> • Market conditions and fluctuations may have a detrimental effect on UBS's profitability, capital strength, liquidity and funding position • Substantial changes in the regulation of UBS's businesses may adversely affect its business and UBS's ability to execute its strategic plans • If UBS is unable to maintain its capital strength, this may adversely affect its ability to execute its strategy, its client franchise and its competitive position • UBS may not be successful in the ongoing execution of its strategic plans • Material legal and regulatory risks arise in the conduct of UBS's business • Operational risks affect UBS's business • UBS's reputation is critical to the success of its business • Performance in the financial services industry is affected by market conditions and the macroeconomic climate • UK withdrawal from the EU • UBS may not be successful in implementing changes in its wealth management businesses to meet changing market, regulatory and other conditions • UBS may be unable to identify or capture revenue or competitive opportunities, or retain and attract qualified employees • UBS depends on its risk management and control processes to avoid or limit potential losses in its businesses • Liquidity and funding management are critical to UBS's ongoing performance • UBS's financial results may be negatively affected by changes to assumptions and valuations, as well as changes to accounting standards • The effect of taxes on UBS's financial results is significantly influenced by tax law changes and reassessments of its deferred tax assets • UBS's stated capital returns objective is based, in part, on capital ratios that are subject to regulatory change and may fluctuate significantly • UBS AG's operating results, financial condition and ability to pay its obligations in the future may be affected by funding, dividends and other distributions received from UBS Switzerland AG, UBS Americas |
|--|--|---|

| | | |
|--|--|--|
| | | <p>Holding LLC, UBS Limited and other subsidiaries, which may be subject to restrictions</p> <ul style="list-style-type: none"> • If UBS experiences financial difficulties, FINMA has the power to open resolution or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors • Risks related to "benchmarks" <p>However, because the business of a broad-based international financial services firm such as UBS is inherently exposed to risks many of which become apparent only with the benefit of hindsight, risks of which UBS is not presently aware or which it currently does not consider to be material could also adversely affect UBS.</p> |
|--|--|--|

- 3) In relation to the Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 1 March 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. | <p>Information om trender</p> <p>Som angivits i UBS-koncernens Rapport för Andra Kvartalet 2018 fortsätter de globala ekonomiska tillväxtutsikterna att stödja marknaderna, även om pågående geopolitiska spänningar och ökad protektionism har dämpat investerarnas tillförsikt och förblir ett hot. UBS förväntar sig fortsatt att räntesatserna i US dollar kommer att gradvis stiga vilket, trots press på marginalerna, kommer att stödja nettoränteintäkten på Global Wealth Management. Utöver typiska säsongsmässiga faktorer under tredje kvartalet förblir marknadsvolatiliteten generellt dämpad, vilket vanligtvis inte bidrar till att kunderna aktiveras. Finansieringskostnader som är hänförliga till långfristiga skulder och kapitalinstrument som emitterats för att överensstämma med finansierings- och likviditetskraven kommer att vara högre än föregående år, men borde i huvudsak vara stabil jämfört med andra kvartalet. På samma sätt som under första halvan av året borde UBS:s diversifierade affärsmodell hjälpa UBS att göra fortsatta framsteg med att nå de strategiska och finansiella målen.</p> |
|-------------|--|---|

Element B.5 is completely replaced as follows:

| | | |
|------------|--|---|
| B.5 | Beskrivning av koncernen och emittentens plats inom koncernen. | <p>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.</p> <p>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.</p> <p>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, och UBS avslutade genomförandet av en mer självförsörjande affärs- och verksamhetsmodell för UBS Limited, dess investeringsdotterföretag i Storbritannien. 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. Dessutom överförde UBS majoriteten av de rörelsedrivande dotterbolagen inom Asset Management till UBS Asset Management AG.</p> <p>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.</p> <p>Givet den fortsatta osäkerheten angående övergångsarrangemangen mellan Storbritannien och EU och de potentiella framtida begränsningarna att erbjuda</p> |
|------------|--|---|

| | | |
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| | | <p>finansiella tjänster i EU från Storbritannien, har UBS börjat en process som går ut på att erhålla tillstånd från myndigheter angående en fusion av UBS Limited och UBS Europe SE, UBS:s europeiska bank med huvudkontor i Tyskland. Under tredje kvartalet 2018 förväntas UBS påbörja överflyttningen av sin affärsverksamhet i Storbritannien för att underlätta transfereringen av kunderna i samband med fusionen. Under samma tidsperiod förväntas UBS även påbörja de tyska fusionsförfarandena. Val av tidpunkt och omfattningen för de åtgärder UBS vidtar, kan variera betydligt från den nuvarande planen beroende på lagstadgade krav arten av övergångs- eller efterföljande avtal mellan Storbritannien och EU.</p> <p>Efter China Securities Regulatory Commissions tillkännagivande att utländska investerare får lov att öka sitt procentuella ägande i kinesiska dotterbolag till tak på 51 % av kapitalet och kanske får tillåtelse att öka ägandet till 100 % under 2021, lämnade UBS i maj 2018 in en preliminär ansökan om att öka aktiekapitalet i sitt kinesiska dotterbolag UBS Securities Co. Limited från 24,99 % till 51 %. Transaktionen är föremål för slutförandet av ett aktieköp av befintliga aktieägare och myndigheternas godkännande.</p> <p>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.</p> |
|--|--|--|

Element B.12 is completely replaced as follows:

| | | |
|--------------------|--|--|
| <p>B.12</p> | <p>Utvald historisk finansiell nyckelinformation / Uttalande om väsentliga negativa förändringar / Uttalande om väsentliga förändringar.</p> | <p>UBS AG erhöll utvald konsoliderad finansiell information, inkluderad i tabellen nedan för åren som slutade 31 december 2017, 2016 och 2015 från Årsredovisningen för 2017, vilken innehåller de reviderade konsoliderade finansiella räkenskaperna för UBS AG, liksom ytterligare oreviderad konsoliderad finansiell information, för året som slutade den 31 december 2017 och jämförelsesiffror för åren som slutade den 31 december 2016 och 2015. Den valda konsoliderade finansinformationen som finns i tabellen nedan för de sex månader som avslutades den 30 juni 2018 och den 30 juni 2017 hänför sig från UBS AG:s Rapport för Andra Kvartalet 2018 som innehåller UBS AG:s interimiska koncernredovisning (oreviderad) likväl som ytterligare oreviderad konsoliderad finansiell information för de sex månader som avslutades den 30 juni 2018 och jämförande siffror för de sex månader som avslutades den 30 juni 2017.</p> <p>De konsoliderade finansiella räkenskaperna har tagits fram i enlighet med International Financial Reporting Standards ("IFRS"), utfärdade av International Accounting Standards Board ("IASB"), och anges i schweiziska franc ("CHF"). Information för åren som slutade 31 december 2017, 2016 och 2015 vilken indikeras som oreviderad i tabellen nedan, inkluderades i Årsredovisningen för 2017 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.</p> <p>För information angående definitioner och orsaken till användandet av mått under rubriken "<i>Viktiga resultatindikatorer</i>", utom de som visas enligt tillämplig lag, och "<i>Ytterligare information - Lönsamhet</i>" i tabellen nedan, var vänligen referera till respektive fotnoter.</p> |
|--------------------|--|--|

| | Per eller för de sex månaderna som slutade | | Per eller för året som slutade | | |
|---|---|----------|----------------------------------|----------|----------|
| CHF miljoner, förutom där indikerat | 30.06.18 | 30.06.17 | 31.12.17 | 31.12.16 | 31.12.15 |
| | Oreviderat | | Reviderat, förutom där indikerat | | |
| Resultat | | | | | |
| Rörelseintäkter | 15 464 | 14 958 | 29 479 | 28 421 | 30 605 |
| Rörelsekostnader | 12 128 | 11 876 | 24 481 | 24 352 | 25 198 |
| Rörelsevinst / (förlust) före skatt | 3 336 | 3 082 | 4 998 | 4 069 | 5 407 |
| Nettovinst / (förlust) hänförlig till UBS AG aktieägare | 2 553 | 2 354 | 845 | 3 207 | 6 235 |
| Viktiga resultatindikatorer | | | | | |
| Lönsamhet och tillväxt | | | | | |
| Avkastning på synligt eget kapital (%) ¹ | 11,7 | 10,4 | 2,0* | 6,9* | 13,5* |
| Kostnads / intäktsrelation (%) ² | 78,2 | 79,2 | 82,7* | 85,6* | 82,0* |
| Nettovinsttillväxt (%) ³ | 8,5 | 36,6 | (73,7)* | (48,6)* | 78,0* |
| Resurser | | | | | |
| Primärkapitalrelation (Common equity tier 1 capital ratio) (%) ^{4,5} | 13,4 | 13,8 | 14,0* | 14,5* | 15,4* |
| Hävstångsrelation för primärkapital (%) ⁶ | 3,73 | 3,78 | 3,7* | 3,7* | 3,6* |
| Hävstångsrelation enligt "going concern" (%) ^{7,8} | 4,5 | 4,2 | 4,2* | 4,2* | - |
| Ytterligare information | | | | | |
| Lönsamhet | | | | | |
| Avkastning på eget kapital (%) ⁹ | 10,1 | 9,0 | 1,6* | 5,9* | 11,7* |
| Avkastning på riskvägda tillgångar, brutto (%) ¹⁰ | 12,5 | 13,3 | 12,8* | 13,2* | 14,3* |
| Avkastning på hävstångsrelationsnämnnare, brutto (%) ¹¹ | 3,5 | 3,4 | 3,4* | 3,2* | - |
| Resurser | | | | | |
| Totala tillgångar | 945 296 | 891 763 | 916 363 | 935 353 | 943 256 |
| Eget kapital hänförligt till aktieägare | 49 961 | 51 735 | 50 718 | 53 662 | 55 248 |
| Primärkapital (Common equity tier 1 capital) ⁵ | 33 686 | 32 558 | 33 240 | 32 447 | 32 042 |
| Riskvägda tillgångar ⁵ | 251 648 | 236 552 | 236 606* | 223 232* | 208 186* |
| Kapitalrelation enligt going concern (%) ⁸ | 16,2 | 15,3 | 15,6* | 16,3* | - |
| Total förlustabsorberingskvot (%) ⁸ | 31,7 | 29,7 | 31,4* | 29,6* | - |
| Hävstångsrelationsnämnnare ¹² | 903 467 | 861 919 | 887 189* | 870 942* | 898 251* |
| Total förlustabsorberingskapacitetskvot på hävstången (%) ⁸ | 8,8 | 8,1 | 8,4* | 7,6* | - |
| Övrigt | | | | | |
| Investerade tillgångar (CHF miljarder) ¹³ | 3 242 | 2 911 | 3 179 | 2 810 | 2 678 |
| Anställda (motsvarande heltidstjänster) | 46 597 | 48 476 | 46 009* | 56 208* | 58 131* |

* oreviderat

¹ 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.

² Rörelseutgifter/rörelseintäkter före kreditförlust (utgift) eller återvinning. Detta mått tillhandahåller information om företagets effektivitet genom att jämföra rörelsekostnader med bruttointäkt.

³ 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.

⁴ Primärkapital (Common equity tier 1 capital) / riskvägda tillgångar.

⁵ Baserat på Basel III-regelverket så som detta tillämpas på schweiziska systemviktiga banker ("SRB").

⁶ Primärkapital (Common equity tier 1 capital) / hävstångsrelationsnämnnare. Beräknad i enlighet med schweiziska SRB-regler från den 1

| | | |
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| januari 2020. ⁷ Total kapital enligt going concern / hävstångsrelationsnämnnare. ⁸ Baserat på de schweiziska SRB reglerna som tillämpas från den 1 januari 2020 och som trädde ikraft den 1 juli 2016. Siffror för tidigare perioder är inte tillgängliga. ⁹ 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. ¹⁰ Operativ inkomst före kreditförlust (på årsbasis där tillämpligt)/genomsnittliga fullt tillämpade riskavvägda tillgångar. Detta mått tillhandahåller information om företagets intäkter i förhållande till riskvägda tillgångar. ¹¹ Operativ inkomst före kreditförlust (på årsbasis där tillämpligt)/genomsnittlig fullt tillämpad hävstångsrelationsnämnnare. Från och med 31 december 2015 är beräkningen av hävstångsrelationsnämnnaren fullt lierad med Basel III-reglerna. För perioder innan 31 december 2015 är hävstångsrelationsnämnnaren beräknad i enlighet med tidigare schweiziska SRB-regler. Därför presenteras inte siffran för perioden som avslutats 31 december 2015, då den inte är tillgänglig på en fullt jämförbar basis. Detta mått tillhandahåller information om företagets intäkter i förhållande till hävstångsrelationsnämnnaren. ¹² Från och med 31 december 2015 är beräkningen av hävstångsrelationsnämnnaren fullt lierad med Basel III-reglerna. ¹³ Inkluderar investerade tillgångar inom 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 2017. |
| | Uttalande om väsentliga förändringar. | Det har inte inträffat någon väsentlig förändring i den finansiella positionen eller handelspositionen för UBS AG eller UBS AG-koncernen sedan den 30 juni 2018, vilket är slutet på den senaste finansiella perioden för vilken finansiell information har publicerats. |

In Element B.17 the first paragraph is replaced completely. Consequently, Element B.17 reads as follows:

| | | |
|-------------|--|--|
| B.17 | Kreditvärdighetsbetyg som tilldelats emittenten eller dess skuldvärdepapper. | <p>Kreditvärderingsinstitutet S&P Global Ratings Europe Limited ("Standard & Poor's"), Moody's Deutschland GmbH ("Moody's"), Fitch Ratings Limited ("Fitch Ratings") och Scope Ratings GmbH ("Scope Ratings") har på begäran publicerat kreditvärdighetsbetyg som återspeglar deras bedömning av UBS AG:s kreditvärdighet, dvs. UBS:s förmåga att i tid fullgöra sina betalningsförpliktelser, såsom amortering och räntebetalningar på långfristiga lån, även känt som fullgörande av skuldförpliktelser. Betygen från Fitch Ratings, Standard & Poor's och Scope Ratings kan tillskrivas ett plus- eller minustecken och de från Moody's en siffra. Dessa tilläggsbeteckningar indikerar den relativa positionen inom respektive betygsklass. UBS AG har långfristigt motpartskreditvärdighetsbetyget A+ (stabil utsikt) från Standard & Poor's, långsiktig prioriterad skuldvärdering på Aa3 (stabil utsikt) från Moody's, långsiktig värdering på emittenter som kan tänkas bli nödlidande AA- (stabil utsikt) från Fitch Ratings och emissionsvärdering på AA- (stabil utsikt) från Scope Ratings.</p> <p>Alla kreditvärderingsinstitut som nämns ovan är registrerade som kreditvärderingsinstitut under Förordning (2009/1060/EG), så som denna ändrades genom Förordning (2011/513/EG).</p> <p>Värdepappren har [inte] betygsatts[[<i>infoga betyg</i>] av [<i>infoga kreditvärderingsinstitut</i>]].]</p> |
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b) In the section headed "Avsnitt D – Risker"

In Element D.2 an additional risk is added at the end of the list of bullet points. Consequently, Element D.2 reads as follows:

| | | |
|------------|---|--|
| D.2 | Nyckelinformation om väsentliga risker som är specifika och | Värdepappren 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 Värdepappren. |
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| | | |
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| | individuella Emittenten. | för Generell risk för insolvens Varje investerare bär den generella risken att den finansiella situationen för Emittenten kan försämrats. 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, och påverka dess affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter, vilka Koncernen anser är väsentliga och för närvarande är medveten om: <ul style="list-style-type: none"> • Marknadsförhållanden och fluktuationer kan ha en skadlig inverkan på UBS:s lönsamhet, kapitalstyrka, dess likviditet och finansieringsposition. • Väsentliga ändringar av styrningen av UBS:s verksamhet kan negativt påverka dess verksamhet och UBS:s förmåga att verkställa sina strategiska planer. • Om UBS är oförmöget att bibehålla sin kapitalstyrka, kan detta negativt påverka dess förmåga att verkställa sin strategi, dess klientverksamhet och dess konkurrensposition. • UBS är kanske inte framgångsrikt i det löpande verkställandet av sina strategiska planer. • Betydande juridiska och regulatoriska risker uppkommer vid driften av UBS verksamhet. • Operationella risker påverkar UBS verksamhet. • UBS:s renommé är avgörande för framgången för dess verksamhet. • Utvecklingen inom den finanstjänsteindustrin påverkas av marknadsförhållanden och det makroekonomiska klimatet. • Storbritannien går ut ur EU. • UBS kanske inte lyckas att verkställa förändringar inom sina förmögenhetsförvaltningsverksamheter för att möta förändrade marknads- regulatoriska och andra förhållanden. • UBS är kanske inte i stånd 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. • Likviditets- och finansieringsförvaltning är avgörande för UBS:s löpande utveckling. |
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| | | |
|--|--|---|
| | | <ul style="list-style-type: none"> • UBS:s finansiella resultat kan påverkas negativt av ändringar i antaganden och värderingar samt i redovisningsstandarder. • Inverkan av skatter på UBS:s finansiella resultat påverkas i betydande mån av ändringar i skattelagen och omvärderingar av dess uppskjutna skattefordringar • UBS:s angivna kapitalutdelningsmål är baserat, till en del, på kapitalrelationer som är föremål för regleringsförändringar och kan i hög grad fluktueras. • 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 Limited och andra dotterföretag, vilket kan vara föremål för begränsningar. • 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. • Risker relaterade till "benchmarks" <p>Men eftersom verksamheten i ett brett baserat internationellt finanstjänsteföretag som UBS till sin inneboende natur är exponerad mot risker, varav många blir 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.</p> |
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Zurich, 29 August 2018

UBS AG