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

Dated 26 November 2019 to the Base Prospectus of UBS AG, [London] [Jersey] [Branch], dated 13 May 2019,

in relation to Securities.

The Base Prospectus was approved and registered by the Swedish Financial Supervisory Authority ("**SFSA**"). Registration number at the SFSA is 19-9431. 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 12 June 2019. The Supplement was published by UBS AG on 12 June 2019. Registration number at the SFSA is 19-12183.

Supplement No. 2 was approved by the SFSA on 27 August 2019. The Supplement was published by UBS AG on 27 August 2019. Registration number at the SFSA is 19-18048.

This Supplement No. 3 was approved by the SFSA on 26 November 2019. This Supplement was published by UBS AG on 26 November 2019. Registration number at the SFSA is 19-25316.

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

Publication of the third quarter 2019 financial report as per 30 September 2019 of UBS Group AG on 22 October 2019 and of UBS AG on 25 October 2019.

In the course of supplementing the Base Prospectus due to the publication of the third quarter financial report, as mentioned above, UBS AG has also taken the occasion to update in this supplement certain other updated information that has become available after the date of the Base Prospectus:

Updated information	Updated sections
Information regarding UBS AG has been updated pursuant to the above-mentioned third quarter 2019 financial report	"C. Risk Factors, 1. Issuer specific Risks". "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 of the Securities do not contain any restrictions on change of control events on the Issuer's or UBS's ability to restructure its business". The following subsections in the section "I. Information about UBS AG": "1. General Information on UBS AG", "2. Business Overview", chapter "Recent Developments", "3. Organisational Structure of the Issuer", "4. Trend Information", "7. Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profits and Losses, Interim Financial Information", "8. Litigation, Regulatory and Similar Matters", "9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects". "L. General Information, 7. Documents incorporated by Reference" The information in Elements B.4b, B.12, D.2 and [D.3] [D.6] of the Summary.
Other updated information:	
Update in relation to the business overview of UBS AG	The chapter "Investment Bank" in the section "I. Information about UBS AG, 2. Business Overview"
Update in relation to the members of the Board of Directors	"I. Information about UBS AG, 5. Administrative, Management and Supervisory Bodies of UBS AG, Members of the Board of Directors"
Update in relation to the members of the Executive Board	"I. Information about UBS AG, 5. Administrative, Management and Supervisory Bodies of UBS AG, Members of the Executive Board"

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 28 November 2019. A withdrawal, if any, of an order must be communicated in writing to the Issuer at its registered office specified in the address list hereof.

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

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

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

"**1. Issuer specific Risks**

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

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

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

General insolvency risk

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

<u>Market and macroeconomic risks</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Currency fluctuation

UBS AG is subject to currency fluctuation risks. Effective 1 October 2018, the functional currency of UBS Group AG and UBS AG's Head Office in Switzerland has changed from Swiss francs to US dollars and the functional currency of UBS AG's London Branch operations has changed from British pounds to US dollars. In line with these changes, the presentation currency of UBS Group AG's and UBS AG's consolidated financial statements has changed from Swiss francs to US dollars effective from the fourth quarter 2018 reporting. Although this change reduces UBS AG's exposure to currency fluctuation risks against Swiss francs, a substantial portion of UBS AG's assets and liabilities are denominated in currencies other than the US dollar. Accordingly, changes in foreign exchange rates may continue to adversely affect UBS AG's profits, balance sheet and capital leverage and liquidity coverage ratios.

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

Regulatory and legal risks

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

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

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

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

UBS AG has incurred substantial costs in implementing a compliance and monitoring framework in connection with the Volcker Rule under the Dodd-Frank Act and has modified its business activities both inside and outside the US to conform to the Volcker Rule's activity limitations. US regulators have adopted amendments (the "**2019 Final Rule**") to their regulations implementing the Volcker Rule prohibitions on proprietary trading and limitations on covered fund activities. The amendments will become effective on 1 January 2020, with compliance voluntary from that date, and mandatory from 1 January 2021. UBS AG may incur additional costs in the short term to implement the changes to the operation of its Volcker compliance program required by the 2019 Final Rule. However, these changes may reduce the long-term burden on UBS AG's operations. UBS AG may also become subject to other similar regulations substantively limiting the types of activities in which it may engage or the way it conducts its operations.

Higher capital and total loss-absorbing capacity requirements increase UBS AG's costs: As an internationally active Swiss systemically relevant bank ("**SRB**"), UBS AG is subject to capital and total loss-absorbing capacity ("**TLAC**") requirements that are among the most stringent in the world. UBS AG expects its RWA to increase in 2019 as a result of changes in methodology and add-ons in the calculation of RWA, as well as implementation of new accounting standards. Changes to international capital standards for banks recently adopted by the Basel Committee on Banking Supervision are expected to further increase UBS AG's RWA when the standards are scheduled to become effective in 2022. In addition, on 10 October 2019, the Board of Governors of the Federal Reserve System adopted two proposals regarding certain capital and liquidity requirements and enhanced prudential standards applicable to foreign banking organizations (FBO) with significant US operations. Under the proposal, it is expected that UBS Americas Holding LLC would continue to be subject to annual assessments of its capital plan through the Comprehensive Capital Analysis and Review ("**CCAR**") process, a supplementary leverage ratio, newly applicable liquidity coverage ratio requirements and new net stable funding ratio requirements.

Resolvability and resolution and recovery planning: Under the Swiss too big to fail ("**TBTF**") framework, UBS AG Group is required to put in place viable emergency plans to preserve the operation of systemically important functions in the event of a failure. Moreover, under this framework and similar regulations in the US, the UK, the EU and other jurisdictions in which it operates, UBS AG Group is required to prepare credible recovery and resolution plans detailing the measures that would be taken to recover in the event of a significant adverse event or to wind down the UBS AG Group or the operations in a host country through resolution or insolvency proceedings. If a recovery or resolution plan UBS AG Group produces is determined by the relevant authority to be inadequate or not credible, relevant regulation may permit the authority to place limitations on the scope or size of UBS AG Group's business in that jurisdiction, or oblige UBS AG Group to hold higher amounts of capital or liquidity or to change its legal structure or business in order to remove the relevant impediments to resolution. FINMA is expected to make a formal determination of whether the emergency plans of Swiss systemically relevant banks are "credible" in early 2020. As a result of this review, FINMA may require UBS AG to amend the plan or put other measures in place.

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 AG, including restrictions on the payment of dividends and interest. FINMA could also directly or indirectly require UBS AG Group, for example, to alter its legal structure, including by separating lines of business into dedicated entities, with limitations on intra-Group funding and certain guarantees, or to further reduce business risk levels in some manner. FINMA also has the ability to write down or convert into common equity the capital instruments and other liabilities of UBS Group AG, UBS AG and UBS Switzerland AG in connection with a resolution. Refer to "*If UBS experiences financial difficulties, FINMA has the power to open restructuring or liquidation proceedings or impose protective measures in relation to UBS Group AG, UBS AG or UBS Switzerland AG, and such proceedings or measures may have a material adverse effect on UBS's shareholders and creditors*" below.

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

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

In many instances, UBS AG provides services on a cross-border basis, and it is therefore sensitive to barriers restricting market access for third-country firms. In particular, efforts in the EU to harmonise the regime for third-country firms to access the European market may have the effect of creating new barriers that adversely affect UBS AG's ability to conduct business in these jurisdictions from Switzerland. In addition, a number of jurisdictions are increasingly regulating cross-border activities based on determinations of equivalence of home country regulation, substituted compliance or similar principles of comity. A negative determination could limit UBS AG's access to the market in those jurisdictions and may negatively influence its ability to act as a global firm. For example, the EU declined to extend the equivalence determination for Swiss exchanges, which lapsed as of 30 June 2019. Reciprocally, the regulations Switzerland adopted to prohibit trading Swiss incorporated companies on EU venues came into effect on 1 July 2019. In addition, as such determinations are typically applied on a jurisdictional level rather than on an entity level, UBS AG will generally need to rely on jurisdictions' willingness to collaborate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Since April 2013, the UK Financial Conduct Authority ("**FCA**") has regulated LIBOR and regulators in other jurisdictions have increased oversight of other interbank offered rates ("**IBORs**") and similar "benchmark" rates. Efforts to transition from IBORs to alternative benchmark rates are underway in several jurisdictions. The FCA announced in July 2017 that it will not continue beyond 2021 to regulate LIBOR or take other actions to sustain LIBOR, and urged users to plan the transition to alternative reference rates. As a result, there can be no guarantee that LIBOR will be determined after 2021 on the same basis as at present, if at all.

Liquidity and activity in Alternative Reference Rates ("**ARR**") continue to develop in markets globally, with work progressing to resolve certain issues associated with transitioning away from IBORs. Regulatory authorities continue to focus on transitioning to ARR by the end of 2021.The Alternative Reference Rates Committee is considering potential legislative solutions that would mitigate legal risks related to legacy contracts in the event of IBOR discontinuation. In addition, in October 2019, the US Treasury Department and Internal Revenue Service published proposed regulations providing tax relief related to issues that may arise as a result of the modification of debt, derivative, and other financial contracts from LIBOR-based language to ARR. The European Central Bank published the euro short-term rate, the Risk Free Rate for EUR markets, for the first time on 2 October 2019, reflecting trading activity on 1 October 2019. The Bank of England Working Group on Sterling Risk-Free Reference Rate continues to be supportive of the development of a Term (Sterling Overnight Index Average) Reference Rate.

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

UK withdrawal from the EU

UBS had planned its response to the UK withdrawal from the EU assuming that the UK would leave the EU in March 2019, and given the continuing uncertainty on transition arrangements and the potential future restrictions on providing financial services into the EU from the UK, UBS has completed the merger of UBS Limited, its UK-based subsidiary, into UBS Europe SE, a German-headquartered European subsidiary. As a result, UBS Europe SE is subject to direct supervision by the European Central Bank and is considered a significant regulated subsidiary.

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

In connection with the merger, a small number of roles are being relocated from the UK to other European locations. UBS also expects to increase the loss-absorbing capacity of UBS Europe SE to reflect the additional activities it would acquire.

The UK's Prudential Regulation Authority and FCA have opened registration for the Temporary Permissions Regime ("**TPR**"). This regime will allow firms and funds domiciled in the European Economic Area ("**EEA**") that currently are passported into the UK to continue operating within the scope of their existing permissions for a limited period after the UK's withdrawal. UBS has provided TPR notifications for UBS subsidiaries in the EEA that currently passport into the UK, in order to ensure the continuity of UK regulatory permissions in the event of a no-deal scenario.

In addition, the European Securities and Markets Authority ("**ESMA**") has taken measures to mitigate potential disruptions in a no-deal scenario. It agreed to recognize the three UK-authorized central counterparties ("**CCPs**"): LCH Limited, ICE Clear Europe Ltd and LME Clear Limited. This will allow them to continue to provide clearing services in the EU for a limited period in a no-deal scenario and will avoid the need to migrate UBS Europe SE's current derivatives exposures from a UK CCP to an EU CCP ahead of the exit date. ESMA has also announced a recognition decision for the UK-authorized Central Securities Depository – Euroclear UK & Ireland Limited – for a limited period. This will make possible the continued use of the Euroclear UK & Ireland securities depository to settle Irish securities for as long as they are recognized by ESMA. These ESMA decisions will be effective from 31 October 2019 unless there is a change in circumstances.

<u>Risks related to restructuring and resolution proceedings</u>

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

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

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

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

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

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

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

Liquidity risks

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

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

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

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

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

Strategy, management and operations risks

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

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

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

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

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

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

Operational risks affect UBS AG's business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Reputational risk

UBS AG's reputation is critical to its success

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

Estimation and valuation risk

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

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

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

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

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

In 2015, UBS AG transferred its personal & corporate banking and wealth management businesses booked in Switzerland to the newly established UBS Switzerland AG, a banking subsidiary of UBS AG in Switzerland. In 2016, UBS Americas Holding LLC was designated as the intermediate holding company for UBS's US subsidiaries and UBS merged its wealth management subsidiaries in various European countries into UBS Europe SE, UBS's German-headquartered European subsidiary. Additionally, UBS transferred the majority of Asset Management's operating subsidiaries to UBS Asset Management AG. Effective 1 April 2019, the portion of the Asset Management business in Switzerland conducted by UBS AG was transferred from UBS AG to its indirect subsidiary, UBS Asset Management Switzerland AG.

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

In March 2019, UBS Limited, UBS's UK headquartered subsidiary, was merged into UBS Europe SE prior to the UK's then scheduled departure from the EU. Former clients and other counterparties of UBS Limited who can be serviced by UBS AG's London Branch were migrated to UBS AG's London Branch prior to the merger.

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

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

"On 30 September 2019, UBS Group's common equity tier 1 ("**CET1**") capital ratio was 13.1%, the CET1 leverage ratio was 3.84%, the total loss-absorbing capacity ratio was 33.3%, and the total loss-absorbing capacity leverage ratio was 9.8%.[1] On the same date, invested assets stood at USD 3,422 billion, equity attributable to shareholders was USD 56,187 million and market capitalisation was USD 41,210 million. On the same date, UBS employed 67,634 people[2].

On 30 September 2019, UBS AG consolidated CET1 capital ratio was 13.3%, the CET1 leverage ratio was 3.90%, the total loss-absorbing capacity ratio was 32.9%, and the total loss-absorbing capacity leverage ratio was 9.6%.[1] On the same date, invested assets stood at USD 3,422 billion and equity attributable to UBS AG shareholders was USD 54,613 million. On the same date, UBS AG Group employed 47,180 people[2]."

In the section "2. Business Overview" the chapter headed "Investment Bank" is completely replaced as follows:

"**Investment Bank**

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

UBS plans to make changes to the Investment Bank that will be effective 1 January 2020: Corporate Client Solutions (CCS) and Investor Client Services (ICS) will be renamed Global Banking and Global Markets, respectively. Global Banking will adopt a global coverage model and will deploy its deep global industry expertise to meet the needs of its most important clients. Global Markets will combine Equities and Foreign Exchange, Rates and Credit, and will introduce three product verticals (Execution & Platform, Derivatives & Solutions, and Financing). Research and Evidence Lab Innovations will continue to be a critical part of the Investment Bank's advisory and content offering."

In the section "2. Business Overview" the chapter "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 2018, 2017 and 2016 from the Annual Report 2018,

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[1] All figures based on the Swiss systemically relevant bank framework as of 1 January 2020. Refer to the "*Capital management*" section of the Annual Report 2018 and of the UBS Group Third Quarter 2019 Report, as defined herein, for more information.

[2] Full-time equivalents.

except where noted. The selected consolidated financial information included in the table below for the nine months ended 30 September 2019 and 30 September 2018 was derived from the UBS AG third quarter 2019 report, published on 25 October 2019 ("**UBS AG Third Quarter 2019 Report**").

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

Information for the years ended 31 December 2018, 2017 and 2016 which is indicated as being unaudited in the table below was included in the Annual Report 2018, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements. The Annual Report 2018 (to the extent indicated in the section "L. General Information – 7. Documents incorporated by Reference" of this Base Prospectus) and the UBS AG Third Quarter 2019 Report are incorporated by reference herein.

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

	As of or for the nine months ended		As of or for the year ended		
USD million, except where indicated	30.9.19	30.9.18	31.12.18	31.12.17	31.12.16
	unaudited		*audited, except where indicated*		
Results					
Income statement					
Operating income	22,162	23,559	30,642	30,044	28,831
Net interest income [1]	3,171	3,765	5,949	6,607	6,457
Net fee and commission income	13,057	13,660	17,930	17,550	16,644
Credit loss (expense) / recovery	(70)	(64)	(117)	(131)	(38)
Other net income from financial instruments measured at fair value through profit or loss [1]	5,457	5,659	5,977	5,067	5,018
Operating expenses	17,807	18,517	25,184	24,969	24,643
Operating profit / (loss) before tax	4,355	5,042	5,458	5,076	4,188
Net profit / (loss) attributable to shareholders	3,343	3,834	4,107	758	3,351
Balance sheet [2]					
Total assets	972,048		958,055	940,020	919,236
Total financial liabilities measured at amortized cost	603,594		612,174	660,498	612,884
of which: customer deposits	429,143		421,986	423,058	418,129
of which: subordinated debt	7,567		7,511	9,217	11,352* [3]
Total financial liabilities measured at fair value through profit or loss	304,689		283,717	217,814	236,727
Loans and advances to customers	321,666		321,482	328,952	300,678
Total equity	54,776		52,432	52,046	53,627

Equity attributable to shareholders	54,613		52,256	51,987	52,957
Profitability and growth					
Return on equity (%) [4]	8.4	9.9	7.9*	1.4*	6.0*
Return on tangible equity (%) [5]	9.6	11.3	9.1*	1.6*	6.9*
Return on common equity tier 1 capital (%) [6]	12.6	14.8	11.9*	2.3*	10.2*
Return on risk-weighted assets, gross (%) [7]	11.2	12.3	12.0*	12.8*	13.1*
Return on leverage ratio denominator, gross (%) [8]	3.3	3.4	3.4*	3.4*	3.2*
Cost / income ratio (%) [9]	80.1	78.4	81.9*	82.7*	85.4*
Net profit growth (%) [10]	(12.8)	17.9	441.9*	(77.4)*	(48.5)*
Resources					
Common equity tier 1 capital [11, 12]	35,211	35,046	34,608	34,100*	31,879*
Risk-weighted assets [11]	263,777	256,206	262,840*	242,725*	219,330*
Common equity tier 1 capital ratio (%) [11]	13.3	13.7	13.2*	14.0*	14.5*
Going concern capital ratio (%) [11]	17.8	16.5	16.1*	15.6*	16.3*
Total loss-absorbing capacity ratio (%) [11]	32.9	31.3	31.3*	31.4*	29.6*
Leverage ratio denominator [11]	901,926	915,977	904,458*	910,133*	855,718*
Common equity tier 1 leverage ratio (%) [11]	3.90	3.83	3.83*	3.75*	3.73*
Going concern leverage ratio (%) [11]	5.2	4.6	4.7*	4.2*	4.2*
Total loss-absorbing capacity leverage ratio (%) [11]	9.6	8.8	9.1*	8.4*	7.6*
Other					
Invested assets (USD billion) [13]	3,422	3,330	3,101	3,262	2,761
Personnel (full-time equivalents)	47,180	47,091	47,643*	46,009*	56,208*

* unaudited

1 Effective from the first quarter of 2019, UBS AG refined the presentation of dividend income and expense. This resulted in a reclassification of dividends from *Interest income (expense) from financial instruments measured at fair value through profit or loss* into *Other net income from financial instruments measured at fair value through profit or loss* (prior to 1 January 2019: *Other net income from fair value changes on financial instruments*). *Net Interest Income* and *Other net income from financial instruments measured at fair value through profit or loss* for the period ending 30.09.2018 have been restated.
2 As reflected in the Annual Report 2018, the balance sheet figures under the column 31.12.2016 are as of 1.1.2017 for comparison purposes due to the adoption of IFRS 9, which was effective 1.1.2018.
3 This amount has been translated from the audited financials of the Annual Report 2017, which was reported in Swiss francs, into US dollars at closing exchange rates prevailing on the balance sheet date.
4 Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders. This measure provides information about the profitability of the business in relation to equity.
5 Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets. Effective 1 January 2019, the definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital; i.e., it is no longer adjusted for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. This measure provides information about the profitability of the business in relation to tangible equity.
6 Calculated as net profit attributable to shareholders (annualized as applicable) divided by average common equity tier 1 capital. This measure provides information about the profitability of the business in relation to common equity tier 1 capital.
7 Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average risk-weighted assets. This measure provides information about the revenues of the business in relation to risk-weighted assets.
8 Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to leverage ratio denominator.
9 Calculated as operating expenses divided by operating income before credit loss expense or recovery. This measure provides information about the efficiency of the business by comparing operating expenses with gross income.
10 Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period. This measure provides information about profit growth in comparison with the prior-year period.
11 Based on the Swiss systemically relevant bank framework as of 1 January 2020.
12 The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240 million) and in the UBS Group AG and UBS AG annual report 2016 for the period ended on 31 December 2016 (CHF 32,447 million) was audited.
13 Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

2. Accounting, regulatory, legal and other developments

Tightened self-regulation for income-producing real estate

In August 2019, FINMA approved the Swiss Bankers Association's revised self-regulation on mortgage lending for income-producing real estate. The revisions increase the minimum equity required for new and increased mortgages on these properties, from 10% to 25% of the market value at origination, and require mortgages to amortize to two thirds of the market value at origination within 10 years (previously 15 years). UBS Switzerland AG will be subject to the revised self-regulation that will come into effect on 1 January 2020. The overall effect on UBS is expected to be limited.

Volcker Rule revisions

US regulators have adopted amendments (2019 Final Rule) to their regulations implementing the Volcker Rule prohibitions on proprietary trading and limitations on covered fund activities. The amendments will become effective on 1 January 2020, with compliance voluntary from that date, and mandatory from 1 January 2021.

Among other changes, the 2019 Final Rule tailors compliance program obligations for trading activities in tiers based on the level of US trading assets and liabilities and relaxes certain conditions for exemptions to the Volcker Rule restrictions to apply to activities engaged in by foreign banking entities outside the United States.

UBS expects it will fall within the "Significant" category, which will require UBS to maintain its compliance program but should eliminate certain reporting requirements. US regulators also signalled the intention to propose further amendments to the covered funds provisions of their Volcker Rule regulations.

Tailoring of regulation for foreign banks in the US

On 10 October 2019, the Board of Governors of the Federal Reserve System adopted two proposals that tailor how certain capital and liquidity requirements and enhanced prudential standards apply to foreign banking organizations ("**FBOs**") with significant US operations. Under the final rules, FBOs and their US intermediate holding companies ("**IHCs**") will be assigned to categories based on their size measured in total assets as well as on scores relating to four other risk-based indicators: non-bank assets, a weighted measure of short-term wholesale funding, off-balance sheet exposure and cross-jurisdictional activity.

Each of UBS Americas Holdings LLC (UBS's IHC) and UBS's combined US operations, which include its IHC and US branches of UBS AG, are expected to be a "Category III" firm under the final rule. In this category, among other things, UBS Americas Holding LLC will continue to be: (i) required to submit its capital plan annually; (ii) subject to limitations on distributions through the Comprehensive Capital Analysis and Review (CCAR) process; and (iii) subject to annual supervisory stress testing and (iv) subject to the supplementary leverage ratio. It will also become subject to the newly applicable liquidity coverage ratio requirements and the proposed net stable funding ratio requirements. "Category III firms" will be required to conduct company-run stress tests once every two years, rather than annually, and to submit US resolution plans once every three years.

China further opening up its financial sector

In July 2019, China's Office of Financial Stability and Development Committee and the State Administration of Foreign Exchange announced measures designed to accelerate the opening up of the financial sector to foreign financial institutions and investors. Measures include: the removal of foreign ownership limits on securities, fund management and futures companies one year earlier, in 2020; encouraging overseas financial institutions to establish and invest in asset and wealth management entities and currency brokers and participate in the bond market; and eliminating requirements and quotas for qualified foreign investors to invest in China. More detailed implementation guidance is expected over the coming months.

The accelerated removal of the ownership caps for securities companies means that UBS AG is expected to be permitted to increase its stake in UBS Securities China from the current level of 51% to 100% by 2020. The exact effective date remains to be clarified.

The Swiss National Bank to adjust the zero interest rate exemption threshold

In September 2019, the Swiss National Bank ("**SNB**") announced that it would keep the SNB policy rate and interest on sight deposits at the SNB at negative 0.75% and reconfirmed its willingness to intervene in the foreign exchange market as necessary. The SNB also announced adjustments to the calculation of the amount of sight deposits at the SNB that are exempt from negative interest rates. The exemption threshold will be increased from 20 to 25 times each bank's minimum requirement. In addition, the threshold will be updated on a monthly basis. These changes will come into effect on 1 November 2019. The SNB communicated that this decision was taken based on the assumption that the low interest rate environment around the world will persist for some time. UBS maintains significant sight deposits at the SNB. The adjustments to the exemption threshold calculation are expected to benefit UBS's net interest income.

Swiss emergency plan credibility determination

UBS has developed and annually submits to FINMA an emergency plan demonstrating how it will maintain functions that are systemically important for the Swiss economy in the event of a crisis. UBS has developed a comprehensive emergency plan and has completed substantial measures designed to ensure the maintenance of systemically important functions, including the transfer of systemically important functions to UBS Switzerland AG and the establishment of a separate service company to provide services to Group companies. FINMA is expected to make a formal determination of whether the emergency plans of Swiss systemically relevant banks are "credible" in early 2020. As a result of this review, FINMA may require UBS to amend the plan or put other measures in place.

Developments related to the transition away from IBORs

Liquidity and activity in Alternative Reference Rates ("**ARRs**") continue to develop in markets around the world, with work progressing to resolve certain issues associated with transitioning away from interbank offered rates ("IBORs"). Regulatory authorities continue to focus on transitioning to ARRs by the end of 2021. The Alternative Reference Rates Committee is considering potential legislative solutions that would mitigate legal risks related to legacy contracts in the event of IBOR discontinuation. In addition, in October 2019, the US Treasury Department and Internal Revenue Service published proposed regulations providing tax relief related to issues that may arise as a result of the modification of debt, derivative, and other financial contracts from IBOR-based language to ARRs. The European Central Bank published the euro short-term rate (€STR), the risk-free rate for EUR markets, for the first time on 2 October 2019, reflecting trading activity on 1 October 2019. The Bank of England Working Group on Sterling Risk-Free Reference Rates continues to be supportive of the development of a term reference rate (Sterling Overnight Index Average, or SONIA).

UBS has a substantial number of contracts linked to IBORs. The new, risk-free ARRs do not currently provide a term structure, which will require a change in the contractual terms of products currently indexed on terms other than overnight. UBS has established a cross-divisional, cross-regional governance structure and change program to address the scale and complexity of the transition.

Strategic partnership with Banco do Brasil

In September 2019, UBS announced its intention to enter into a strategic investment banking partnership with Banco do Brasil. By building on the complementary strengths of both firms, UBS and Banco do Brasil believe that the formation of a strategic, long-term partnership will create a leading investment bank platform in South America with global coverage. It is envisaged that UBS will hold the majority (50.01%) of the shares in the partnership, which would be established by a contribution of assets by both parties. Closing of the transaction is subject to the execution of transaction documents as well as obtaining all required internal and external approvals.

Structural changes in the Investment Bank

UBS is realigning its Investment Bank to meet the evolving needs of its clients, further focus its resources on opportunities for profitable growth and allow it to invest in UBS's digital transformation. Corporate Client Solutions (CCS) and Investor Client Services (ICS) will be renamed Global Banking and Global Markets, respectively. Global Banking will adopt a global coverage model and will deploy its deep global industry expertise to meet the needs of its most important clients. Global Markets will combine Equities and Foreign Exchange, Rates and Credit, and will introduce three product verticals (Execution & Platform, Derivatives & Solutions, and Financing). Research and Evidence Lab Innovations will continue to be a critical part of the Investment Bank's advisory and content offering. Associated with these changes, which will be effective 1 January 2020, UBS expects the Investment Bank to incur restructuring expenses of around USD 100 million in the fourth quarter of 2019.

Separately, UBS is continuing to execute on various strategic initiatives across the Group and is considering opportunities that would leverage its technology capabilities, build on its strengths and focus resources on growth areas. These opportunities may include strategic partnerships, additional collaboration across business divisions, evolution of UBS's business models and optimization of UBS's legal entities.

Refer to the "*Recent developments*" section of the UBS Group AG third quarter 2019 report published on 22 October 2019 ("**UBS Group Third Quarter 2019 Report**"), as well as to the "*Regulatory and legal developments*" in the "*Our strategy, business model and environment*" section of the Annual Report 2018 for further information on key accounting, regulatory and legal developments."

In the section "3. Organisational Structure of the Issuer" the sixth paragraph is completely replaced as follows:

"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 of the Securities do not contain any restrictions on change of control events or on the Issuer's or UBS's ability to restructure its business"."

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

"**4. Trend Information**

As indicated in the UBS Group Third Quarter 2019 Report, stimulus measures and easing of monetary policy by central banks may help to mitigate slowing global economic growth over the medium term. Geopolitical tensions and trade disputes continue to impact investor confidence. Positive momentum toward resolving these issues would likely improve confidence and the economic outlook. Low and persistent negative interest rates and expectations of further monetary easing will adversely affect net interest income compared with last year. UBS's regional and business diversification, along with actions that UBS is taking, will help to mitigate these headwinds. Recurring revenues should also benefit from higher invested assets. As it executes on its strategy, UBS is balancing investments for growth while managing for efficiency. UBS remains committed to delivering on its capital return objectives and creating sustainable long-term value for UBS shareholders.

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

In the section "5. Administrative, Management and Supervisory Bodies of UBS AG" the chapter "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 activities outside UBS AG
Axel A. Weber UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chairman	2020	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; member of the European Financial Services Round Table; member of the European Banking Group; member of the International Advisory Councils of the China Banking and Insurance Regulatory Commission and the China Securities Regulatory Commission; 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, University of Zurich; member of the Trilateral Commission.
David Sidwell UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Vice Chairman	2020	Vice Chairman and 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	2020	Member of the Board of Directors of UBS Group AG; trustee of the UK's Productivity Leadership Group; trustee of Kingham Hill Trust; trustee of St. Helen Bishopsgate.
William C. Dudley UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; senior research scholar at the Griswold Center for Economic Policy Studies at Princeton University; member of the Group of Thirty; member of the Council on Foreign Relations.
Reto Francioni UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; professor at the University of Basel; board member of Coca-Cola HBC AG (Senior Independent Non-Executive Director); Chairman of the board of Swiss International Air Lines AG; board member of MedTech Innovation Partners AG; executive director and member of my TAMAR GmBH.
Fred Hu UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; non-executive chairman of the board of Yum China Holdings; board member of ICBC; board member of Hong Kong Exchanges and Clearing Ltd.; founder and chairman of Primavera Capital Group; 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 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	2020	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); board member of Datalog.
Isabelle Romy UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; partner and board member at Froriep Legal AG; professor at the University of Fribourg and at the Federal Institute of Technology, Lausanne; board member of Central Real Estate Holding AG (Zurich); board member of Central Real Estate Basel AG; 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	2020	Member of the Board of Directors of UBS Group AG; board member of Chubb Limited (chairperson of the audit committee); board member of Zoetis Inc.; board member of KKR & Co Inc.; board member of Teach For All.
Beatrice Weder di Mauro	Member	2020	Member of the Board of Directors of UBS Group AG; Research Professor and Distinguished Fellow at INSEAD in Singapore; Supervisory Board member of Robert Bosch GmbH; board member of Bombardier Inc.; member of the ETH

UBS AG, Bahnhofstrasse 45, CH-8001 Zurich			Zurich Foundation Board of Trustees; member of the Foundation Board of the International Center for Monetary and Banking Studies (ICMB).
Dieter Wemmer UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; board member of Ørsted A/S; member of the Berlin Center of Corporate Governance.
Jeanette Wong UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Member	2020	Member of the Board of Directors of UBS Group AG; board member of Essilor International and EssilorLuxottica; board member of Jurong Town Corporation; board member of PSA International; board member of FFMC Holdings Pte. Ltd.; board member of Fullerton Fund Management Company Ltd.; member of the NUS Business School Management Advisory Board; member of the Global Advisory Board, Asia, University of Chicago Booth School of Business; member of the Securities Industry Council.

"

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

"**Members of the Executive Board**

Member and business address	Function	Current principal activities 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 UBS Optimus Foundation board; Chairman of the Fondazione Ermotti, Lugano; board member of the Swiss-American Chamber of Commerce; board member of the Global Apprenticeship Network; member of the Institut International D'Etudes Bancaires; member of the Saïd Business School Global Leadership Council, University of Oxford.
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 Switzerland AG; chairman of the Foundation Board – International Financial Risk Institute.
Markus U. Diethelm UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	General Counsel	Member of the Group Executive Board and Group General Counsel of UBS Group AG; chairman of the Swiss-American Chamber of Commerce's legal committee; Chairman of the Swiss Advisory Council of the American Swiss Foundation; member of the Foundation Council of the UBS International Center of Economics in Society; member of the 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.
Suni Harford UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	President Asset Management	Member of the Executive Board, President Asset Management of UBS Group AG; chairman of the Board of Directors of UBS Asset Management AG; member of the Leadership Council of the Bob Woodruff Foundation; member of the UBS Optimus Foundation Board.
Robert Karofsky UBS AG, 1285 Avenue of the Americas, New York, NY 10019, USA	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank of UBS Group AG; president and board member of UBS Securities LLC; trustee of the UBS Americas Inc. Political Action Committee.
Sabine Keller-Busse UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Operating Officer and President UBS Europe, Middle East and Africa	Member of the Group Executive Board, Group Chief Operating Officer and President UBS Europe, Middle East and Africa of UBS Group AG; member of the Supervisory Board of UBS Europe SE; 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; board member of the University Hospital Zurich Foundation.

Iqbal Khan UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Global Wealth Management	Member of the Executive Board and co-President Global Wealth Management of UBS Group AG; board member of Room To Read Switzerland.
Edmund Koh UBS AG, One Raffles Quay North Tower, Singapore 048583	President UBS Asia Pacific	Member of the Group Executive Board and President UBS Asia Pacific of UBS Group AG; member of the Wealth Management Institute at Nanyang Technological University Singapore; member of the Ministry of Finance's Committee on the Future Economy Sub-Committees; member of the Board of Next50 Limited; trustee of the Cultural Matching Fund; board member of Medico Suites (S) Pte Ltd; board member of Medico Republic (S) Pte Ltd.
Tom Naratil UBS AG, 1285 Avenue of the Americas, New York, NY 10019 USA	Co-President Global Wealth Management and President UBS Americas	Member of the Group Executive Board and co-President Global Wealth Management and President UBS Americas of UBS Group AG; CEO and board member of UBS Americas Holding LLC; board member of the American Swiss Foundation; member of the Board of Consultors for the College of Nursing at Villanova University.
Piero Novelli UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Co-President Investment Bank	Member of the Group Executive Board and co-President Investment Bank of UBS Group AG.
Markus Ronner UBS AG, Bahnhofstrasse 45, CH-8001 Zurich	Chief Compliance and Governance Officer	Member of the Group Executive Board and Group Chief Compliance and Governance Officer of UBS Group AG.

"

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 2019 report published on 25 April 2019 ("**UBS Group First Quarter 2019 Report**"), and the UBS AG first quarter 2019 report published on 30 April 2019 ("**UBS AG First Quarter 2019 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 2019; to (ii) the UBS Group AG second quarter 2019 report published on 23 July 2019 ("**UBS Group Second Quarter 2019 Report**") and the UBS AG second quarter 2019 report, published on 26 July 2019 ("**UBS AG Second Quarter 2019 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 2019; and to (iii) the UBS Group Third Quarter 2019 Report and the UBS AG Third Quarter 2019 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 September 2019. The interim consolidated financial statements are not audited."

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

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

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

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

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

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

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

The aggregate amount provisioned for litigation, regulatory and similar matters as a class is disclosed in "*Note 15a Provisions*" of the UBS AG's interim consolidated financial statements included in the UBS AG Third Quarter 2019 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 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 Third Quarter 2019 Report.

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

USD million	**Global Wealth Manage-ment**	**Personal & Corporate Banking**	**Asset Manage-ment**	**Investme nt Bank**	**Corporat e Center**	**UBS**
Balance as of 31 December 2018	1,003	117	0	269	1,438	2,827
Balance as of 30 June 2019	858	114	0	202	1,334	2,509
Increase in provisions recognized in the income statement	71	0	0	0	0	**72**
Release of provisions recognized in the income statement	(1)	0	0	0	(4)	**(4)**
Provisions used in conformity with designated purpose	(42)	(1)	0	0	(1)	**(44)**
Foreign currency translation / unwind of discount	(20)	(4)	0	(5)	(1)	**(29)**
Balance as of 30 September 2019	**867**	**110**	**0**	**197**	**1,329**	**2,503**

1 Provisions, if any, for the matters described in this section are recorded in Global Wealth Management (item 3, item 4 and item 7) and Corporate Center (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 and Corporate Center.

1. Inquiries regarding cross-border wealth management businesses

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

The Swiss Federal Administrative Court ruled in 2016 that, in the administrative assistance proceedings related to a French bulk request, UBS has the right to appeal all final FTA client data disclosure orders. On 30 July 2018, the Swiss Federal Administrative Court granted UBS's appeal by holding the French administrative assistance request inadmissible. The FTA filed a final appeal with the Swiss Federal Supreme Court. The Supreme Court on 26 July 2019, reversed the decision of the Federal Administrative Court. The judges also stated that the FTA must ensure that the French authorities respect the principle of "speciality", which requires the information furnished may only be used for the purposes specified in the request.

Since 2013, UBS (France) S.A., UBS AG and certain former employees have been under investigation in France for alleged complicity in unlawful solicitation of clients on French territory, regarding the laundering of proceeds of tax fraud, and 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.

A trial in the court of first instance took place from 8 October 2018 until 15 November 2018. On 20 February 2019, the court announced a verdict finding UBS AG guilty of unlawful solicitation of clients on French territory and aggravated laundering of the proceeds of tax fraud, and UBS France S.A. guilty of aiding and abetting unlawful solicitation and laundering the proceeds of tax fraud. The court imposed fines aggregating EUR 3.7 billion on UBS AG and UBS France S.A. and awarded EUR 800 million of civil damages to the French state. UBS has appealed the decision. Under French law, the judgment is suspended while the appeal is pending. The Court of Appeal will retry the case de novo as to both the law and the facts, and the fines and penalties can be greater than or less than those imposed by the court of first instance. A subsequent appeal to the Cour de Cassation, France's highest court, is possible with respect to questions of law.

UBS believes that based on both the law and the facts the judgment of the court of first instance should be reversed. UBS believes it followed its obligations under Swiss and French law as well as the European Savings Tax Directive. Even assuming liability, which it contests, UBS believes the penalties and damage amounts awarded greatly exceed the amounts that could be supported by the law and the facts. In particular, UBS believes the court incorrectly based the penalty on the total regularized assets rather than on any unpaid taxes on those assets for which a fraud has been characterized and further incorrectly awarded damages based on costs that were not proven by the civil party. Notwithstanding that UBS believes it should be acquitted, its balance sheet at 30 September 2019 reflected provisions with respect to this matter in an amount of USD 516 million. The wide range of possible outcomes in this case contributes to a high degree of estimation uncertainty. The provision reflected on UBS's balance sheet at 30 September 2019 reflects its best estimate of possible financial implications, although it is reasonably possible that actual penalties and civil damages could exceed the provision amount.

In 2016, UBS was notified by the Belgian investigating judge that it is under formal investigation ("inculpé") regarding the laundering of proceeds of tax fraud, of banking and financial solicitation by unauthorized persons, and of serious tax fraud. In 2018, tax authorities and a prosecutor's office in Italy asserted that UBS is potentially liable for taxes and penalties as a result of its activities in Italy from 2012 to 2017. In June 2019, UBS entered into a settlement agreement with the Italian tax authorities under which it paid EUR 101 million to resolve the claims asserted by the authority related to UBS AG's potential permanent establishment in Italy. In October 2019, the Judge of Preliminary Investigations of the Milan Court approved an agreement with the Milan prosecutor under Article 63 of Italian Administrative Law 231 under which UBS AG, UBS Switzerland AG and UBS Monaco will pay an aggregate of EUR 10.3 million to resolve claims premised on the alleged inadequacy of historical internal controls. No admission of wrongdoing was required in connection with this resolution.

UBS's balance sheet at 30 September 2019 reflected provisions with respect to matters described in this item 1 in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

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

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

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

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

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

Mortgage-related regulatory matters: Since 2014, the US Attorney's Office for the Eastern District of New York has sought information from UBS pursuant to the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("**FIRREA**"), related to UBS's RMBS business from 2005 through 2007. On 8 November 2018, the DOJ filed a civil complaint in the District Court for the Eastern District of New York. The complaint seeks unspecified civil monetary penalties under FIRREA related to UBS's issuance, underwriting and sale of 40 RMBS transactions in 2006 and 2007. UBS moved to dismiss the civil complaint on 6 February 2019.

UBS's balance sheet at 30 September 2019 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. Those inquiries concerned two third-party funds established under Luxembourg law, substantially all assets of which were with BMIS, as well as certain funds established in offshore jurisdictions with either direct or indirect exposure to BMIS. These funds faced severe losses, and the Luxembourg funds are in liquidation. The documentation establishing both funds identifies UBS entities in various roles, including custodian, administrator, manager, distributor and promoter, and indicates that UBS employees serve as board members.

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

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

In the US, the BMIS Trustee filed claims against UBS entities, among others, in relation to the two Luxembourg funds and one of the offshore funds. The total amount claimed against all defendants in these actions was not less than USD 2 billion. In 2014, the US Supreme Court rejected the BMIS Trustee's motion for leave to appeal decisions dismissing all claims except those for the recovery of approximately USD 125 million of payments alleged to be fraudulent conveyances and preference payments. In 2016, the bankruptcy court dismissed these claims against the UBS entities. The BMIS Trustee appealed. In February 2019, the Court of Appeals reversed the dismissal of the BMIS Trustee's remaining claims. In August 2019, the defendants, including UBS, filed a petition to the US Supreme Court requesting that it review the Court of Appeals' decision. The bankruptcy proceedings have been stayed pending a decision with respect to that petition.

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 3.4 billion, of which claims with aggregate claimed damages of USD 2.4 billion have been resolved through settlements, arbitration or withdrawal of the claim. The claims have been filed by clients in Puerto Rico who own the funds or Puerto Rico municipal bonds and / or who used their UBS account assets as collateral for UBS non-purpose loans; customer complaint and arbitration allegations include fraud, misrepresentation and unsuitability of the funds and of the loans.

A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2015, defendants' motion to dismiss was denied and a request for permission to appeal that ruling was denied by the Puerto Rico Supreme Court. In 2014, a federal class action complaint also was filed against various UBS entities, certain members of UBS PR senior management and the co-manager of certain of the funds, seeking damages for investor losses in the funds during the period from May 2008 through May 2014. Following denial of the plaintiffs' motion for class certification, the case was dismissed in October 2018.

In 2014 and 2015, UBS entered into settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority in relation to their examinations of UBS's operations.

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

Beginning in 2015, and continuing through 2017, certain agencies and public corporations of the Commonwealth of Puerto Rico ("**Commonwealth**") defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain 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 or 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.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately USD 125 million in fees in the relevant offerings.

In August 2019, two US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and seven other underwriters of Puerto Rico municipal bonds, alleging an aggregate of USD 720 million in damages from the defendants. The plaintiffs allege that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs allege they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters.

UBS's balance sheet at 30 September 2019 reflected provisions with respect to matters described in this item 4 in amounts that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provisions that UBS has recognized.

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

Foreign exchange-related regulatory matters: Beginning in 2013, numerous authorities commenced investigations concerning possible manipulation of foreign exchange markets and precious metals prices. In 2014 and 2015, UBS reached settlements with the UK Financial Conduct Authority ("**FCA**") and the US Commodity Futures Trading Commission ("**CFTC**") in connection with their foreign exchange investigations, FINMA issued an order concluding its formal proceedings relating to UBS's foreign exchange and precious metals businesses, and the Board of Governors of the Federal Reserve System (Federal Reserve Board) and the Connecticut Department of Banking issued a Cease and Desist Order and assessed monetary penalties against UBS AG. In 2015, the DOJ's Criminal Division terminated the 2012 non-prosecution agreement with UBS AG related to UBS's submissions of benchmark interest rates, and UBS AG pleaded guilty to one count of wire fraud, paid a fine and is subject to probation through January 2020. In 2019 the European Commission announced two decisions with respect to foreign exchange trading. UBS was granted immunity by the European Commission in these matters and therefore was not fined. UBS has ongoing obligations to cooperate with these authorities and to undertake certain remediation measures. UBS has also been granted conditional immunity by the Antitrust Division of the DOJ and by authorities in other jurisdictions in connection with potential competition law violations relating to foreign exchange and precious metals businesses. Investigations relating to foreign exchange matters by certain authorities remain ongoing notwithstanding these resolutions.

Foreign exchange-related civil litigation: Putative class actions have been filed since 2013 in US federal courts and in other jurisdictions against UBS and other banks on behalf of putative classes of persons who engaged in foreign currency transactions with any of the defendant banks. UBS has resolved US federal court class actions relating to foreign currency transactions with the defendant banks and persons who transacted in foreign exchange futures contracts and options on such futures under a settlement agreement that provides for UBS to pay an aggregate of USD 141 million and provide cooperation to the settlement classes. Certain class members have excluded themselves from that settlement and have filed individual actions in US and English courts against UBS and other banks, alleging violations of US and European competition laws and unjust enrichment.

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

In 2017, two putative class actions were 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, and a consolidated complaint was filed in June 2017. In March 2018, the court dismissed the consolidated complaint. In October 2018, the court granted plaintiffs' motion seeking leave to file an amended complaint.

LIBOR and other benchmark-related regulatory matters: Numerous government agencies, including the SEC, the CFTC, the DOJ, the FCA, the UK Serious Fraud Office, the Monetary Authority of Singapore, the Hong Kong Monetary Authority, FINMA, various state attorneys general in the US and competition authorities in various jurisdictions have conducted investigations regarding potential improper attempts by UBS, among others, to manipulate LIBOR and other benchmark rates at certain times. UBS reached settlements or otherwise concluded investigations relating to benchmark interest rates with the investigating authorities. 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 the Swiss Competition Commission ("**WEKO**"), in connection with potential antitrust or competition law violations related to certain rates. However, UBS has not reached a final settlement with WEKO, as the Secretariat of WEKO has asserted that UBS does not qualify for full immunity.

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

USD LIBOR class and individual actions in the US: In 2013 and 2015, the district court in the USD LIBOR actions dismissed, in whole or in part, certain plaintiffs' antitrust claims, federal racketeering claims, CEA claims, and state common law claims. Although the Second Circuit vacated the district court's judgment dismissing antitrust claims, the district court again dismissed antitrust claims against UBS in 2016. Certain plaintiffs have appealed that decision to the Second Circuit. Separately, in 2018, the Second Circuit reversed in part the district court's 2015 decision dismissing certain individual plaintiffs' claims and certain of these actions are now proceeding. UBS entered into an agreement in 2016 with representatives of a class of bondholders to settle their USD LIBOR class action. The agreement has received preliminary court approval and remains subject to final approval. In 2018, the district court denied plaintiffs' motions for class certification in the USD class actions for claims pending against UBS, and plaintiffs sought permission to appeal that ruling to the Second Circuit. In July 2018, the Second Circuit denied the petition to appeal of the class of USD lenders and in November 2018 denied the petition of the USD exchange class. In January 2019, a putative class action was filed in the District Court for the Southern District of New York against UBS and numerous other banks on behalf of US residents who, since 1 February 2014, directly transacted with a defendant bank in USD LIBOR instruments. The complaint asserts antitrust claims. The defendants moved to dismiss the complaint on 30 August 2019.

Other benchmark class actions in the US: In 2014, the court in one of the Euroyen TIBOR lawsuits dismissed certain of the plaintiffs' claims, including a federal antitrust claim, for lack of standing. In 2015, this court dismissed the plaintiffs' federal racketeering claims on the same basis and affirmed its previous dismissal of the plaintiffs' antitrust claims against UBS. In 2017, this court also dismissed the other Yen LIBOR / Euroyen TIBOR action in its entirety on standing grounds, as did the court in the CHF LIBOR action. Also in 2017, the courts in the EURIBOR lawsuit dismissed the cases as to UBS and certain other foreign defendants for lack of personal jurisdiction. Plaintiffs in the other Yen LIBOR, Euroyen TIBOR and the EURIBOR actions have appealed the dismissals. In October 2018, the court in the SIBOR / SOR action dismissed all but one of plaintiffs' claims against UBS. Plaintiffs in the CHF LIBOR and SIBOR / SOR actions filed amended complaints following the dismissals, and the courts granted renewed motions to dismiss in July 2019 (SIBOR / SOR) and in September 2019 (CHF LIBOR). Plaintiffs in the SIBOR / SOR action have appealed the dismissal. In November 2018, the court in the BBSW lawsuit dismissed the case as to UBS and certain other foreign defendants for lack of personal jurisdiction. Following that dismissal, plaintiffs in the BBSW action filed an amended complaint in April 2019, which UBS and other defendants named in the amended complaint have moved to dismiss. The court dismissed the GBP LIBOR action in August 2019, and plaintiffs appealed the dismissal in September 2019.

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

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

With respect to additional matters and jurisdictions not encompassed by the settlements and orders referred to above, UBS's balance sheet at 30 September 2019 reflected a provision in an amount that UBS believes to be appropriate under the applicable accounting standard. As in the case of other matters for which UBS has established provisions, the future outflow of resources in respect of such matters cannot be determined with certainty based on currently available information and accordingly may ultimately prove to be substantially greater (or may be less) than the provision that UBS has recognized.

6. Swiss retrocessions

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

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

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

UBS's balance sheet at 30 September 2019 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. Securities transaction pricing and disclosure

UBS identified and reported to the relevant authorities instances in which some Global Wealth Management clients booked in Hong Kong and Singapore may have been charged inappropriate spreads on debt securities transactions between 2008 and 2015. UBS intends to reimburse affected customers on a basis agreed with the relevant authorities. UBS expects the relevant authorities will subject UBS to reprimands and fines as a result of their investigations.

UBS's balance sheet at 30 September 2019 reflected a provision with respect to the matter described in this item 7 in an amount that UBS believes to be appropriate under the applicable accounting standard. 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 greater (or may be less) than the provision that UBS has recognized.

The specific litigation, regulatory and other matters described above under items (1) to (7) include all such matters that management considers to be material and others that management believes to be of significance due to potential financial, reputational and other effects as described in the "*Note 15 Provisions and contingent liabilities*" to the UBS AG's interim consolidated financial statements included in the UBS AG Third Quarter 2019 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.

*Hong Kong initial public offerings ("**IPOs**")*: The Hong Kong Securities and Futures Commission ("**SFC**") conducted investigations into UBS's role as a sponsor of certain initial public offerings listed on the Hong Kong Stock Exchange. In March 2018, the SFC issued a decision notice in relation to one of the offerings under investigation. On 13 March 2019, UBS Securities Hong Kong Limited and UBS AG entered into a settlement agreement with the SFC resolving all of the SFC's pending investigations related to sponsorship of IPOs by UBS. The agreement provides for a fine of HKD 375 million (USD 48 million) and the suspension of UBS Securities Hong Kong Limited's ability to act as a sponsor for Hong Kong-listed IPOs for one year.

FIFA investigation: UBS, and reportedly numerous other financial institutions, 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 cooperated with authorities in these inquiries."

In section "9. Significant Changes in the Financial or Trading Position; Material Adverse Change in Prospects" the second 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 September 2019, which is the end of the last financial period for which financial information has been published."

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

"**7. Documents incorporated by Reference**

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

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

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

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

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

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

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

(g) The UBS Group First Quarter 2019 Report and the UBS AG First Quarter 2019 Report (published on the UBS website, at https://www.ubs.com/global/en/investor-relations/financial-information/quarterly-reporting/2019.html);

(h) The UBS Group Second Quarter 2019 Report and the UBS AG Second Quarter 2019 Report (published on the UBS website, at https://www.ubs.com/global/en/investor-relations/financial-information/quarterly-reporting/2019.html);

(i) The UBS Group Third Quarter 2019 Report and the UBS AG Third Quarter 2019 Report (published on the UBS website, at https://www.ubs.com/global/en/investor-relations/financial-information/quarterly-reporting/2019.html);

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

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

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

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

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

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

(p) the Conditions of the Securities as contained on pages 149 to 252 of the Base Prospectus dated 12 October 2018 of UBS AG as filed with SFSA (published on the UBS website, at http://keyinvest-eu.ubs.com/legal-documents),

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

2) In relation to the Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 13 May 2019 in the section headed "A. Summary of the Base Prospectus (in the English language)" the following changes shall be made:

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

Element B.4b is completely replaced as follows:

B.4b	A description of any known trends affecting the issuer or the industries in which it operates.	**Trend Information** As indicated in the UBS Group Third Quarter 2019 Report, stimulus measures and easing of monetary policy by central banks may help to mitigate slowing global economic growth over the medium term. Geopolitical tensions and trade disputes continue to impact investor confidence. Positive momentum toward resolving these issues would likely improve confidence and the economic outlook. Low and persistent negative interest rates and expectations of further monetary easing will adversely affect net interest income compared with last year. UBS's regional and business diversification, along with actions that UBS is taking, will help to mitigate these headwinds. Recurring revenues should also benefit from higher invested assets. As it executes on its strategy, UBS is balancing investments for growth while managing for efficiency. UBS remains committed to delivering on its capital return objectives and creating sustainable long-term value for UBS shareholders.

Element B.12 is completely replaced as follows:

B.12	Selected historical key financial information / Material adverse change statement / Significant changes statement.	UBS AG derived the selected consolidated financial information included in the table below for the years ended 31 December 2018, 2017 and 2016 from the Annual Report 2018, except where noted. The selected consolidated financial information included in the table below for the nine months ended 30 September 2019 and 30 September 2018 was derived from the UBS AG Third Quarter 2019 Report. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”). Effective from 1 October 2018, the functional currency of UBS Group AG and UBS AG’s Head Office in Switzerland changed from Swiss francs to US dollars and that of UBS AG's London Branch from British pounds to US dollars, in compliance with the requirements of International Accounting Standard (IAS) 21, *The Effects of Changes in Foreign Exchange Rates*. The presentation currency of UBS AG’s consolidated financial statements has changed from Swiss francs to US dollars to align with the functional currency changes of significant Group entities. Prior periods have been restated for this presentation currency change. Assets, liabilities and total equity were translated to US dollars at closing exchange rates prevailing on the respective balance sheet dates, and income and expenses were translated at the respective average rates prevailing for the relevant periods. Information for the years ended 31 December 2018, 2017 and 2016 which is indicated as being unaudited in the table below was included in the Annual Report 2018, but has not been audited on the basis that the respective disclosures are not required under IFRS, and therefore are not part of the audited financial statements.

	As of or for the nine months ended		As of or for the year ended		
USD million, except where indicated	30.9.19	30.9.18	31.12.18	31.12.17	31.12.16
	unaudited		*audited, except where indicated*		
Results					
Income statement					
Operating income	22,162	23,559	30,642	30,044	28,831
Net interest income [1]	3,171	3,765	5,949	6,607	6,457
Net fee and commission income	13,057	13,660	17,930	17,550	16,644
Credit loss (expense) / recovery	(70)	(64)	(117)	(131)	(38)
Other net income from financial instruments measured at fair value through profit or loss [1]	5,457	5,659	5,977	5,067	5,018
Operating expenses	17,807	18,517	25,184	24,969	24,643
Operating profit / (loss) before tax	4,355	5,042	5,458	5,076	4,188
Net profit / (loss) attributable to shareholders	3,343	3,834	4,107	758	3,351
Balance sheet [2]					
Total assets	972,048		958,055	940,020	919,236
Total financial liabilities measured at amortized cost	603,594		612,174	660,498	612,884
of which: customer deposits	429,143		421,986	423,058	418,129
of which: subordinated debt	7,567		7,511	9,217	11,352* [3]
Total financial liabilities measured at fair value through profit or loss	304,689		283,717	217,814	236,727
Loans and advances to customers	321,666		321,482	328,952	300,678
Total equity	54,776		52,432	52,046	53,627
Equity attributable to shareholders	54,613		52,256	51,987	52,957
Profitability and growth					
Return on equity (%) [4]	8.4	9.9	7.9*	1.4*	6.0*
Return on tangible equity (%) [5]	9.6	11.3	9.1*	1.6*	6.9*
Return on common equity tier 1 capital (%) [6]	12.6	14.8	11.9*	2.3*	10.2*
Return on risk-weighted assets, gross (%) [7]	11.2	12.3	12.0*	12.8*	13.1*
Return on leverage ratio denominator, gross (%) [8]	3.3	3.4	3.4*	3.4*	3.2*
Cost / income ratio (%) [9]	80.1	78.4	81.9*	82.7*	85.4*
Net profit growth (%) [10]	(12.8)	17.9	441.9*	(77.4)*	(48.5)*
Resources					
Common equity tier 1 capital [11, 12]	35,211	35,046	34,608	34,100*	31,879*
Risk-weighted assets [11]	263,777	256,206	262,840*	242,725*	219,330*
Common equity tier 1 capital ratio (%) [11]	13.3	13.7	13.2*	14.0*	14.5*
Going concern capital ratio (%) [11]	17.8	16.5	16.1*	15.6*	16.3*
Total loss-absorbing capacity ratio (%) [11]	32.9	31.3	31.3*	31.4*	29.6*
Leverage ratio denominator [11]	901,926	915,977	904,458*	910,133*	855,718*
Common equity tier 1 leverage ratio (%) [11]	3.90	3.83	3.83*	3.75*	3.73*
Going concern leverage ratio (%) [11]	5.2	4.6	4.7*	4.2*	4.2*
Total loss-absorbing capacity leverage ratio (%) [11]	9.6	8.8	9.1*	8.4*	7.6*
Other					
Invested assets (USD billion) [13]	3,422	3,330	3,101	3,262	2,761

Personnel (full-time equivalents)	47,180	47,091	47,643*	46,009*	56,208*

* unaudited

[1] Effective from the first quarter of 2019, UBS AG refined the presentation of dividend income and expense. This resulted in a reclassification of dividends from *Interest income (expense) from financial instruments measured at fair value through profit or loss* into *Other net income from financial instruments measured at fair value through profit or loss* (prior to 1 January 2019: *Other net income from fair value changes on financial instruments*). *Net Interest Income* and *Other net income from financial instruments measured at fair value through profit or loss* for the period ending 30.09.2018 have been restated.
[2] As reflected in the Annual Report 2018, the balance sheet figures under the column 31.12.2016 are as of 1.1.2017 for comparison purposes due to the adoption of IFRS 9, which was effective 1.1.2018.
[3] This amount has been translated from the audited financials of the Annual Report 2017, which was reported in Swiss francs, into US dollars at closing exchange rates prevailing on the balance sheet date.
[4] Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders. This measure provides information about the profitability of the business in relation to equity.
[5] Calculated as net profit attributable to shareholders (annualized as applicable) divided by average equity attributable to shareholders less average goodwill and intangible assets. Effective 1 January 2019, the definition of the numerator for return on tangible equity has been revised to align with numerators for return on equity and return on CET1 capital; i.e., it is no longer adjusted for amortization and impairment of goodwill and intangible assets. Prior periods have been restated. This measure provides information about the profitability of the business in relation to tangible equity.
[6] Calculated as net profit attributable to shareholders (annualized as applicable) divided by average common equity tier 1 capital. This measure provides information about the profitability of the business in relation to common equity tier 1 capital.
[7] Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average risk-weighted assets. This measure provides information about the revenues of the business in relation to risk-weighted assets.
[8] Calculated as operating income before credit loss expense or recovery (annualized as applicable) divided by average leverage ratio denominator. This measure provides information about the revenues of the business in relation to leverage ratio denominator.
[9] Calculated as operating expenses divided by operating income before credit loss expense or recovery. This measure provides information about the efficiency of the business by comparing operating expenses with gross income.
[10] Calculated as change in net profit attributable to shareholders from continuing operations between current and comparison periods divided by net profit attributable to shareholders from continuing operations of comparison period. This measure provides information about profit growth in comparison with the prior-year period.
[11] Based on the Swiss systemically relevant bank framework as of 1 January 2020.
[12] The information as published in Swiss francs in the Annual Report 2017 for the period ended on 31 December 2017 (CHF 33,240 million) and in the UBS Group AG and UBS AG annual report 2016 for the period ended on 31 December 2016 (CHF 32,447 million) was audited.
[13] Includes invested assets for Global Wealth Management, Asset Management and Personal & Corporate Banking.

	Material adverse change statement.	There has been no material adverse change in the prospects of UBS AG or UBS AG Group since 31 December 2018.
	Significant changes statement.	There has been no significant change in the financial or trading position of UBS AG or UBS AG Group since 30 September 2019, which is the end of the last financial period for which financial information has been published.

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

Element D.2 is completely replaced as follows:

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

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

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

In Element [D.3] [D.6] under “General risks relating to the Securities” the paragraph with the heading “The Conditions of the Securities do not contain any restrictions on the Issuer’s or UBS’s ability to restructure its business” is renamed and completely replaced as follows:

"***The Conditions of the Securities do not contain any restrictions on change of control events or on the Issuer's or UBS's ability to restructure its business***
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 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 (or otherwise fulfil its obligations with respect to the Securities) and/or lead to circumstances in which the Issuer may elect to cancel such interest (if applicable)."

3) In relation to the Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 13 May 2019 in the section headed "B. Summary of the Base Prospectus (in the Swedish language)" the following changes shall be made:

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

Element B.4b is completely replaced as follows:

B.4b	En beskrivning av varje känd trend som påverkar emittenten eller de branscher där emittenten är verksam.	**Information om trender** Som visats i UBS-koncernens Rapport för Tredje Kvartalet 2019, kan stimulansåtgärder och centralbankernas penningpolitiska lättnader bidra till att mildra en dämpad global ekonomisk tillväxt på medellång sikt. Geopolitiska spänningar och handelstvister fortsätter att påverka investerarnas förtroende. En positiv utveckling för att lösa dessa frågor skulle sannolikt förbättra förtroendet och de ekonomiska utsikterna. En låg och orubbligt negativ ränta och förväntningar på ytterligare penningpolitiska lättnader kommer att påverka ränteintäkterna negativt jämfört med förra året. UBS:s regionala och affärsmässiga diversifiering, jämsides med åtgärder som UBS vidtar, kommer att bidra till att dämpa denna motvind. Återkommande intäkter bör även gynnas av en högre andel investerade tillgångar. När UBS genomför sin strategi balanseras investeringarna för tillväxt samtidigt som de förvaltas för effektivitet. UBS fortsätter att ägna sig åt att leverera sina kapitalavkastningsmål och skapa ett hållbart långsiktigt värde för aktieägarna.

Element B.12 is completely replaced as follows:

B.12	Utvald historisk finansiell nyckelinformation / Uttalande om väsentliga negativa förändringar / Uttalande om väsentliga förändringar.	UBS AG erhöll utvald konsoliderad finansiell information, inkluderad i tabellen nedan för åren som slutade 31 december 2018, 2017 och 2016 från Årsredovisningen för 2018, utom där det anges. Den valda konsoliderade finansinformationen som finns i tabellen nedan för de nio månaderna som avslutades den 30 september 2019 och den 30 september 2018 hänför sig från UBS AG:s Rapport för Tredje Kvartalet 2019. De konsoliderade finansiella räkenskaperna har tagits fram i enlighet med International Financial Reporting Standards ("**IFRS**"), utfärdade av International Accounting Standards Board ("**IASB**"). Med ikraftträdande den 1 oktober 2018 ändrades den funktionella valutan i UBS Group AG och UBS AG:s huvudkontor i Schweiz från schweiziska franc till amerikanska dollar och valutan för UBS AG:s London-filial från brittiska pund till amerikanska dollar i enlighet med kraven i International Accounting Standard (IAS) 21, The Effects of Changes in Foreign Exchange Rates. Presentationsvalutan för UBS AG:s konsoliderade finansiella information har ändrats från schweiziska franc till amerikanska dollar som en anpassning till de funktionella valutaförändringarna inom betydande koncernenheter. Tidigare perioder har omformulerats för denna ändring av presentationsvalutan. Tillgångar, skulder och totalkapital har omräknats till amerikanska dollar i enlighet med valutakurs vid stängning för de aktuella datumen i balansräkningen och utgifter har omräknats till respektive genomsnittliga kurser för de relevanta perioderna. Information för åren som slutade 31 december 2018, 2017 och 2016 vilken indikeras som oreviderad i tabellen nedan, inkluderades i Årsredovisningen för 2018 men har inte reviderats på grund av att de respektive beskrivningarna inte krävs enligt IFRS och därför inte utgör del av de reviderade finansiella räkenskaperna.

	Per eller för de nio månaderna som slutade		Per eller för året som slutade		
USD miljoner, förutom där indikerat	30.09.19	30.09.18	31.12.18	31.12.17	31.12.16
	Oreviderat		*Reviderat, förutom där indikerat*		
Resultat					
Resultaträkning					
Rörelseintäkter	22 162	23 559	30 642	30 044	28 831
Nettoränteintäkt [1]	3 171	3 765	5 949	6 607	6 457
Nettoavgift och provisionsintäkter	13 057	13 660	17 930	17 550	16 644
Kreditförlust (kreditkostnad)/återvinning	(70)	(64)	(117)	(131)	(38)
Övriga nettointäkter av finansiella instrument till verkligt värde i resultaträkningen [1]	5 457	5 659	5 977	5 067	5 018
Rörelsekostnader	17 807	18 517	25 184	24 969	24 643
Rörelsevinst / (förlust) före skatt	4 355	5 042	5 458	5 076	4 188
Nettovinst / (förlust) hänförlig till aktieägare	3 343	3 834	4 107	758	3 351
Balansräkning [2]					
Totala tillgångar	972 048		958 055	940 020	919 236
Summa finansiella skulder som värderats till upplupet anskaffningsvärde	603 594		612 174	660 498	612 884
av vilket: kundinsättningar	429 143		421 986	423 058	418 129
av vilket: efterställda skuldinstrument	7 567		7 511	9 217	11 352* [3]
Summa finansiella skulder värderade till verkligt värde via resultaträkningen	304 689		283 717	217 814	236 727
Utlåning och förskott till kunder	321 666		321 482	328 952	300 678
Summa eget kapital	54 776		52 432	52 046	53 627
Eget kapital hänförligt till aktieägare	54 613		52 256	51 987	52 957
Lönsamhet och tillväxt					
Avkastning på eget kapital (%) [4]	8,4	9,9	7,9*	1,4*	6,0*
Avkastning på synligt eget kapital (%) [5]	9,6	11,3	9,1*	1,6*	6,9*
Avkastning på primärkapital (%) [6]	12,6	14,8	11,9*	2,3*	10,2*
Avkastning på riskvägda tillgångar, brutto (%) [7]	11,2	12,3	12,0*	12,8*	13,1*
Avkastning på hävstångsrelationsnämnare, brutto (%) [8]	3,3	3,4	3,4*	3,4*	3,2*
Kostnads / intäktsrelation (%) [9]	80,1	78,4	81,9*	82,7*	85,4*
Nettovinsttillväxt (%) [10]	(12,8)	17,9	441,9*	(77,4)*	(48,5)*
Resurser					
Primärkapital (Common equity tier 1 capital) [11, 12]	35 211	35 046	34 608	34 100*	31 879*
Riskvägda tillgångar [11]	263 777	256 206	262 840*	242 725*	219 330*
Primärkapitalrelation (Common equity tier 1 capital ratio) (%) [11]	13,3	13,7	13,2*	14,0*	14,5*
Kapitalrelation enligt going concern (%) [11]	17,8	16,5	16,1*	15,6*	16,3*
Total förlustabsorberingskvot (%) [11]	32,9	31,3	31,3*	31,4*	29,6*
Hävstångsrelationsnämnare [11]	901 926	915 977	904 458*	910 133*	855 718*
Hävstångsrelation för primärkapital (%) [11]	3,90	3,83	3,83*	3,75*	3,73*
Hävstångsrelation enligt "going concern" (%) [11]	5,2	4,6	4,7*	4,2*	4,2*
Total förlustabsorberingskapacitetskvot på hävstången(%) [11]	9,6	8,8	9,1*	8,4*	7,6*
Övrigt					
Investerade tillgångar (USD miljarder) [13]	3 422	3 330	3 101	3 262	2 761

Anställda (motsvarande heltidstjänster)	47 180	47 091	47 643*	46 009*	56 208*

* oreviderat

[1] Med verkan från första kvartalet 2019 har UBS AG utvecklat presentationen av utdelningsintäkter och kostnader. Detta har lett till en omklassificering av utdelningen från *Nettointäkter (Nettoutgifter) av finansiella instrument till verkligt värde i resultaträkningen* till *Övriga nettointäkter av finansiella instrument till verkligt värde i resultaträkningen* (före den 1 januari 2019: *Övriga nettointäkter av finansiella instrument till verkligt värde*). *Nettoränteintäkter* och *Övriga nettointäkter av finansiella instrument till verkligt värde i resultaträkningen* för perioden som löpte ut den 30 september 2018 har omformulerats.
[2] Enligt vad som återges i Årsredovisningen för 2018 har siffrorna i balansräkningen i kolumnen 31.12.2016 hämtats från den 1 januari 2017 för att ge en jämförelse på grund av anpassningen till IFRS 9, som trädde i kraft den 1 januari 2018.
[3] Detta belopp har omräknats från de reviderade finansiella räkenskaperna i Årsredovisningen för 2017, som redovisades i schweiziska franc, till amerikanska dollar enligt de växelkurser som gällde vid stängning på datumet för balansräkningen.
[4] Beräknat som nettovinst hänförlig till aktieägares vinst (på årsbasis där tillämpligt) dividerat med genomsnittligt eget kapital hänförligt till aktieägare. Detta mått tillhandahåller information om verksamhetens lönsamhet i förhållande till kapital.
[5] Beräknat som nettovinst hänförlig till aktieägares vinst (på årsbasis där tillämpligt) dividerat med genomsnittligt eget kapital hänförligt till aktieägare som kan anses bero på mindre genomsnittlig goodwill och på immateriella tillgångar. Från och med den 1 januari 2019 har definitionen på täljaren för avkastning på eget kapital reviderats till att anpassas till täljarna för avkastning på eget kapital och avkastning på CET1 kapital d.v.s. det är inte längre justerat för avskrivning och nedskrivning av goodwill och immateriella tillgångar. Tidigare perioder har korrigerats. Detta mått tillhandahåller information om verksamhetens lönsamhet i förhållande till materiellt kapital.
[6] Beräknat som nettovinst hänförlig till aktieägares vinst (på årsbasis där tillämpligt) dividerat med genomsnittligt primärkapital. Detta mått tillhandahåller information om verksamhetens lönsamhet i förhållande till primärkapital.
[7] Beräknat som rörelseintäkter före kreditförlustkostnad eller återvinning (på årsbasis där tillämpligt) dividerat med genomsnittliga tillämpade riskavvägda tillgångar. Detta mått tillhandahåller information om företagets intäkter i förhållande till riskavvägda tillgångar.
[8] Beräknat som rörelseintäkter före kreditförlustkostnad eller återvinning (på årsbasis där tillämpligt) dividerat med genomsnittlig hävstångsrelationsnämnare. Detta mått tillhandahåller information om företagets intäkter i förhållande till hävstångsrelationsnämnaren.
[9] Beräknat som rörelsekostnader dividerat med rörelseintäkter före kreditförlustkostnader eller återvinning. Detta mått tillhandahåller information om företagets effektivitet genom att jämföra rörelsekostnader med bruttointäkt.
[10] Beräknat som förändring i nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter mellan innevarande och jämförelseperioder dividerat med nettovinst hänförlig till aktieägare från fortsatt bedrivna verksamheter under jämförelseperiod. Detta mått tillhandahåller information om vinsttillväxt i förhållande till tidigare - år period.
[11] Baserat på de reviderade schweiziska SRB-reglerna gällande från och med den 1 januari 2020.
[12] Informationen som publicerades i schweiziska franc i Årsredovisningen 2017 för perioden som avslutades den 31 december 2017 (CHF 33 240 miljoner) och i UBS Group AG och UBS AG:s årsredovisning 2016 för perioden som avslutades den 31 december 2016 (CHF 32 447 miljoner) har granskats.
[13] Inkluderar investerade tillgångar inom Global Wealth Management, Asset Management och Personal & Corporate Banking.

	Uttalande om väsentliga negativa förändringar.	Det har inte inträffat någon väsentlig negativ förändring i framtidsutsikterna för UBS AG eller UBS AG-koncernen sedan den 31 december 2018.
	Uttalande om 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 september 2019, vilket är slutet på den senaste finansiella perioden för vilken finansiell information har publicerats.

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

Element D.2 is completely replaced as follows:

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

		mycket olika riskprofilen för ett banktillgodohavande som är placerat hos Emittenten eller dennes dotterbolag. Emittentens förpliktelser i relation till Värdepapperen garanteras inte av något lagstadgat eller frivilligt system av insättningsgarantier eller kompensationsplaner. **Om Emittenten blir insolvent kan följaktligen investerare lida en total förlust av sina investeringar i Värdepapperen.** UBS AG som Emittent är utsatt för olika riskfaktorer i sin affärsverksamhet. Sammanfattade nedan är de risker som kan påverka UBS AG:s förmåga att verkställa sin strategi eller sin affärsverksamhet, finansiella ställning, verksamhetsresultat och utsikter, vilka UBS AG anser är väsentliga och för närvarande är medveten om: <u>Marknads- och makroekonomiska risker</u> • Utvecklingen inom den finanstjänsteindustrin påverkas av marknadsförhållanden och det makroekonomiska klimatet. • UBS AG är exponerad för kreditrisker relaterade till dess klienter, handelsmotparter och andra finansinstitut <u>Marknadsförhållanden och fluktuationer kan ha en skadlig inverkan på UBS AG:s lönsamhet, kapitalstyrka, dess likviditet och finansieringsposition.</u> • Låga och negativa räntor i Schweiz och euroområdet har påverkat UBS AG:s nettoränteintäkter negativt • Valutafluktuering <u>Juridiska och regulatoriska risker</u> • Regulatoriska och juridiska ändringar kan negativt påverka UBS AG:s verksamhet och dess förmåga att verkställa sina strategiska planer. • Betydande juridiska och regulatoriska risker uppkommer vid driften av UBS AG:s verksamhet. • Inverkan av skatter på UBS AG:s finansiella resultat påverkas i betydande mån av ändringar i skattelagen och omvärderingar av dess uppskjutna skattefordringar. • Upphörande eller förändring av referensräntan kan påkalla justeringar av avtal som UBS AG ingått med kunder och andra marknadsaktörer, liksom av UBS AG:s system och processer. • Storbritannien går ut ur EU. <u>Risker som rör omstrukturering och resolutionsförfaranden</u> • 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. <u>Likviditetsrisker</u> • Likviditets- och finansieringsförvaltning är avgörande för UBS AG:s löpande utveckling. <u>Risker relaterade till strategi, förvaltning och verksamhet</u>

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

In Element [D.3] [D.6] under "Generella risker avseende Värdepapperen" the paragraph with the heading "Villkoren för Värdepapperen innehåller inte några begränsningar för Emittentens eller UBS förmåga att omorganisera sin verksamhet" is renamed and completely replaced as follows:

"***Villkoren för Värdepapperen innehåller inte några begränsningar avseende förändrad ägarkontroll eller Emittentens eller UBS förmåga att omorganisera sin verksamhet***
Villkoren för Värdepapperen innehåller inte några begränsningar avseende förändrad ägarkontroll eller strukturella förändringar, såsom sammanslagningar eller fusioner eller avyttranden avseende Emittenten, eller försäljning, överlåtelse, avknoppning, tillskjutande, utdelning, överföring eller annan disposition avseende all eller någon del av Emittentens eller dess dotterföretags egendomar eller tillgångar i samband med de tillkännagivna ändringarna

avseende dess juridiska struktur eller något annat, och aktiverar ingen uppsägningsgrundande händelse, skyldighet att återköpa Värdepapperen eller någon annan händelse under Villkoren för Värdepapperen till följd av sådana ändringar. Det finns en risk att sådana förändringar, om de inträffar, skulle ha en negativ inverkan på kreditvärdighetsbetygen för Emittenten och/eller öka sannolikheten för att en uppsägningsgrundande händelse inträffar. Om sådana förändringar skulle inträffa kunde de ha en negativ inverkan på Emittentens förmåga att inlösa eller betala ränta på Värdepapperen (eller på annat sätt uppfylla sina åtaganden med avseende på Värdepapperen) och/eller leda till omständigheter under vilka Emittenten kunde välja att annullera sådan ränta (om tillämpligt)."

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The Base Prospectus for Securities of UBS AG, [London] [Jersey] [Branch] dated 13 May 2019 and all supplements thereto, shall be maintained in printed format, for free distribution, at the offices of the Issuer for a period of twelve months after the publication of this document and are published on the website http://keyinvest-eu.ubs.com/base-prospectus, or any successor address notified by the Issuer to the Securityholders for this purpose by way of publication on www.ubs.com/keyinvest.

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

Zurich, 26 November 2019

UBS AG